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Number 2 1990/91

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An International Journal of Research and Practice

Special Issue on:

Retailing in the 1990s

Guest Editor: Stephen Brown

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Editorial

RETAILING IN THE 1990s

Until comparatively recently, anthologies devoted to retailing invariably commenced with either an outright apology or an attempt to justify the author's unnatural interest in this somewhat unsavoury and decidedly deviant subject matter. Once famously described as "a blend of the sinister and ridiculous" (Smith, 1948, p. 1), the study of retailing has long languished amongst the lowest levels of the academic firmament. A mere decade ago, for instance, it was still being depicted as "the Cinderella of the social sciences" (Potter, 1982, p. 2) and "the poor stepsister of marketing" (Hirschman and Stampfl, 1980, p. 71).

In the 1980s, however, the study of retailing has — at the risk of straining our fairytale metaphor — shed its "ugly duckling" image and, if not yet a scholarly swan, it is arguably academia's most rapidly maturing cygnet. A wide variety of undergraduate, postgraduate and post-experience retailing programmes are now available, many centres of retailing research have been established, specialist retailing textbooks are becoming two-a-penny, professorships in retailing are proliferating and a pan-European association of retailing educators has been recently proposed. Retailing, in short, is rapidly acquiring the accoutrements of academic respectability and few writers today feel the need to beg forgiveness for their fascination with such an exciting and fruitful field of study.

The transformation in attitudes to the study of retailing is attributable to a number of closely related factors. Most noteworthy in this respect are the remarkable, some say revolutionary, changes that have recently been wrought in the retailing industry. Long considered to be occasionally brilliant, but basically subservient and small-scale participants in the channels of distribution, modern retail organisations rank among the largest, most sophisticated and dominant business organisations in Britain, Ireland and far beyond. Although slow to adopt the marketing concept, retailers now occupy the van of marketing practice. Consequently, the nature, dynamics and demands of the retailing industry have attracted enormous academic interest, stimulated an outpouring of research papers and reports, and seen the establishment of an associated academic infrastructure.

Another factor that has contributed to the inexorable rise of retailing is the growing realisation among young people that the industry offers a range of attractive career opportunities, both managerial and professional. Indeed, it is generally acknowledged that the management training programmes of Sainsbury, Marks & Spencer and many other leading retailers are on a par if not superior to those available elsewhere. In modern retailing organisations, moreover, responsibility is allocated early, promotion can be swift and remuneration considerable. Though mobility and sheer stamina remain major requirements, careers in retailing are becoming increasingly sophisticated and sought after. Exploitable opportunities have thus arisen for educational establishments and they have responded accordingly.

A third and possibly the least overt influence upon retailing's growing respectability is what Gardner and Sheppard (1989) term "the rise of retail culture". Shopping, according to this standpoint, "is no longer just the mundane act of going out and buying a new product. . . [it] . . . has been imbued with a whole new ethos, a new significance, a new cultural meaning — and commodities themselves seem to have taken on a new central role in people's lives". Not everyone, admittedly, would endorse this assessment, but it is undeniable that for a brief spell in the 1980s, when prominent and promiscuous retailers were being lionised by the City and lambasted by the tabloids respectively, the leaders of the retail industry enjoyed the glamorous image normally reserved for advertising executives, show business personalities and professional sportspersons. Many of these high-flyers, however, have since crash landed and whereas the 1980s was an era of extraordinary activity and unalloyed optimism, the 1990s are viewed with a new sense of realism and not a little apprehension.

Given the revolutionary changes that have occurred in the retailing industry, the advances under way in education and research, and the current uncertainty over what the future has in store, it is appropriate that this, the first special issue of *Irish Marketing Review,* should be devoted to the most meteoric marketing phenomenon of recent years. It comprises five specially commissioned papers on broad retailing themes that are likely to prove of particular importance in the decade ahead. The contributors (editor excepted) rank among the leading British and Irish academic authorities on retailing issues, though, in keeping with *IMR* philosophy, the papers address a combination of academic and practical issues from both local and international perspectives.

The first paper, by Dr Alan Treadgold, tackles what is undoubtedly the most frequently discussed issue in retailing at present — "internationalisation". The spirit of 1992, the existence of hitherto underdeveloped retailing markets and limited opportunities for growth at home, have encouraged retailers to look abroad as never before. Treadgold, however, reveals that many retailers have failed to realise the full benefits of their international presence and he goes on to suggest ways in which these problems can be overcome.

Alongside internationalisation, "customer service" is perhaps the most widely advocated retailing strategy for the 1990s and the second paper, by Dr Leigh Sparks, addresses this important topic. Arguing that, despite the rhetoric, many retailers pay little more than lip service to customer service, Sparks maintains that successful service-based strategies necessitate the formulation of and commitment to a *total* package of customer care. This, he acknowledges, is not easily achieved, but hints that if indigenous retailers are not prepared to make the effort new entrants from more service-orientated countries may well be willing to accept the challenge.

Just as internationalisation and customer care are the watchwords of today's retailing soothsayers, so too "teleshopping" or shopping from home was the slogan of the seers of a decade ago. The 1980s, many believed, would be a time when non-store retailing swept all before it and shopping in shops would become a thing of the past. In practice, of course, this has not been the case and in the third paper Dr Jonathan Reynolds evaluates the manifold teleshopping experiments of the 1980s and weighs up the possibilities for the decade ahead. He concludes that by providing a means of further extending consumer choice, opportunities for the provision of profitable teleshopping services will undoubtedly arise.

Whereas, and contrary to expectation, teleshopping proved to be the damp squib of the 1980s, retail location emerged as an unforeseen firecracker. Not only was the era characterised by a veritable explosion of shopping development in out-of-town and other non-traditional locations, but the technology, methodology and, most importantly, retailers' attitudes to locational analysis, reached hitherto unimaginable heights. In the fourth paper of this special issue, Dr Stephen Brown summarises these changes, though he suggests that in conceptual terms the decade was something of a disappointment. If, he continues, the methodological momentum of the 1980s is to continue into the 1990s, a new theoretical framework for the study of retail location will be required.

Important though it is, location is not the only aspect of retailing to undergo a transformation and in the final paper Dr Tony Parker identifies six "environments" of change that will play a significant part in the future evolution of retailing. By integrating many of the points raised by earlier contributors and placing them in an Irish context, Parker's paper thus provides an appropriate capstone for "Retailing in the 1990s", the first special issue of *Irish Marketing Review*.

Stephen Brown
University of Stirling

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EXECUTIVE SUMMARY

The Emerging Internationalisation of Retailing: Present Status and Future Prospects

Alan Treadgold, Oxford Institute of Retail Management

Retailing has been slow to develop internationally. While international retailers are by no means a new phenomenon, it is only recently that a significant number of leading retailers have begun to commit themselves to developing an international trading presence. This article contributes to the growing body of literature which discusses, characteristically in either a descriptive or a prescriptive way, the emerging internationalisation of retailing.

The article has three main components. Section one reports on the present status of international retailing, with particular reference to developments in the European Community. It is suggested that, while an increasing number of *specialist* retailers are "international" in the sense that their trading presence extends beyond their home markets, for many such retailers the scale of their presence in Europe is, in fact, modest. Arguably more significant are the international moves being made by large *multiple* retailers. Constrained by mature home markets, leading European retailers are developing international linkages by acquisition, strategic alliances and joint venture activity. Retailers are also internationalising their trading presence beyond Europe. European retailers continue to invest heavily in the US while a number of US speciality retailers are developing operations in Europe. Japanese groups are also beginning to expand their interests beyond the Pacific region.

Section two attempts a more formal presentation of the current status of international retailing. It is suggested that three stages can be identified in the development of many international retail businesses. With some notable and well-known exceptions, retailing generally may be characterised as being in stage two of the three-part schema proposed. That is, the scale of ambition of many international retailers remains modest geographically.

Section three draws on the wider literature of international business development to suggest a mode of organisation which may offer retailers the prospect of fully realising the benefits of an international trading presence.

This *trans-national* mode of operation seeks to reconcile the apparently conflicting aims of local responsiveness and global efficiency. The trans-national retailer is one which presents an offer tailored to the localised demand characteristics of consumers but which is also leveraging the behind-the-scenes efficiencies and benefits of being a global operator.

EXECUTIVE SUMMARY

Retailing in the 1990s: Differentiation through Customer Service?

Leigh Sparks, Institute for Retail Studies, University of Stirling

For many years, retailers have been chanting the mantra that "the customer is always right". In reality, many customers leave many shops feeling that the last thing they ever want to do is to revisit that store or company. Clearly, there is a mismatch between service provision and service expectations, and although this implies that opportunities exist for successful differentiation through customer service, such objectives are not easily attained, nor are they suitable for all retailers.

This article examines briefly the changing nature of retailing and its socio-economic setting and describes the differences that these changes have prompted in the provision of customer services. Despite the present economic malaise, it is argued that service-based retailing propositions are likely to prove successful in the 1990s.

Few retailers, however, have a service *strategy* in place, though *elements* of service are present in many cases. Indeed, it is widely but erroneously believed that customer service in retailing comprises a set of physical services or facilities. A taxonomy of customer services is provided in the paper and a *total* service approach is advocated. The total service retailer needs to take *all* elements that make up the customer service offering and combine them into the service strategy. The analogy of the value chain is useful in this context — as is the so-called "gaps" model which focuses on the way information and service is provided to customers and the way expectations and perceptions are matched by the realities of service.

Such an approach is not easily achieved, although as a case study of Nordstrom, a Seattle based chain of department stores, illustrates, it can be done if appropriate to the retail offering. In the US when retail service is mentioned Nordstrom is almost synonymous. The basis for its success is the overwhelming focus on the customer and the willingness to back and reward staff who put themselves out for their customers. Customer "heroics" are celebrated as the pinnacle of salesmanship. Dedication is generated by a complex reward and commission system that treats every element of the company as responsible to its customers and rewards them on results — even accountants have customer service targets to achieve!

EXECUTIVE SUMMARY

Is There a Market for Teleshopping?

Jonathan Reynolds, Oxford Institute of Retail Management

The prospect of shopping from home using new technology has been an enduring feature of anticipatory reviews of a changing retail sector. Indeed, commentators have been sufficiently convincing to persuade investors to place real money into real projects during the 1970s and 1980s in a number of Western economies, notably the US, France and the UK. That many of these projects subsequently failed completely, failed to meet their stated objectives — or, in some cases, achieved entirely different ones — has been the subject of much discussion by practitioners and commentators. For many, the conclusion was that the developments in the 1970s and 1980s were predominantly technology-led; that they were "solutions in search of problems"; that they failed to meet a genuine need in the marketplace and that the success some of them subsequently achieved was accidental rather than planned. This contribution examines that assumption, in exploring the nature and characteristics of a "market" for teleshopping services.

Specifically, in a largely retrospective discussion, the article first compares take-up levels for, and the consumer attitudes and expectations towards, a contrasting set of teleshopping and teleservice operations begun around the world in the 1980s. In the UK teleshopping through videotex has had a chequered history. In France phenomenal success has been achieved through the Télétel programme. The other broad type of home shopping, the US home shopping show phenomenon, is also examined. The author attempts to distill the commonalities and contradictions in defining a market for goods and services through what is, in reality, not just one but a diverse range of potential delivery channels to the consumer, all of which involve varying degrees and sophistication of technology.

The conclusions from this selective review are used to drive discussion of likely future changes in consumers' attitudes and expectations which may serve either to facilitate or to obstruct the development of these new delivery channels. Demand is likely to be influenced in three broad ways. Macro-economic changes may affect the household's propensity to purchase new technologies in the home; such changes will also have significant effects on the time budgets of working households. A number of social and behavioural traits may strengthen the role of the home base in the purchasing of goods and services. The physical and attitudinal barriers to the adoption of new technology are likely to become less significant in the years ahead. Finally, four key opportunities for teleshopping systems are presented which draw upon this analysis in order to suggest a facilitating role for such systems in extending consumer choice.

EXECUTIVE SUMMARY

Retail Location Theory: Retrospect and Prospect

Stephen Brown, Institute for Retail Studies, University of Stirling

It has often been said that the three most important properties of a retail store are location, location and location. However, as with most of the industry's aphorisms, most notably "the customer is always right", retailers are renowned for their failure to practise what they preach. Despite statements to the contrary, a cavalier attitude to locational decision taking has traditionally prevailed.

Recent years, however, have seen the demise of intuitive approaches to site selection. Thanks to the wider range of locational options now available, the ever-increasing costs of failure, the development of sophisticated, user-friendly analytical techniques and the growing professionalism and marketing orientation of retail management, a revolution in locational decision taking has transpired.

Impressive though these technological and attitudinal advances undoubtedly are, location decisions are still taken within and ultimately determined by the framework of town planning policy. Planning policy, however, is predicated upon outdated assumptions concerning the nature of consumer behaviour and the retailing industry. This has led to several attempts to formulate alternative models of retail location but these have not proved particularly successful. A synthesis of the old and new is advocated and a dynamic theory of retail location is proposed.

This "combination theory" of retailing evolution suggests that the spatial cycle starts with a single or small number of — often but not necessarily — cut price outlets occupying accessible (i.e. low cost) sites previously unused for retailing activity. Their success and evident customer appeal encourages other outlets to locate in the vicinity, thereby broadening the overall range of goods on offer. Through time, the facilities, appearance and standard of retailer gradually improves as do the costs of locating therein (congestion, rentals, etc.). This, in turn, creates an opportunity for the emergence of alternative low cost locations, which gives rise to closures in the old-established agglomerations and thus leaves a locational legacy of smaller, more specialised clusters of retailing outlets.

EXECUTIVE SUMMARY

Retail Environments: Into the 1990s

A.J. Parker, Centre for Retail Studies, University College Dublin

Change in the domain of retailing is taking place at an increasingly geometrical, rather than arithmetic, rate of progression. Drawing examples particularly from the Republic of Ireland, this paper identifies several "environments" of change. Some of these environments are external to retailing and thus cannot be influenced by retail management. Others can be exploited by retail organisations and at least one, the in-store environment, is completely under retailer control.

Change should not be seen as a threat but as an opportunity and six retailing environments offering both challenges and opportunities are examined: the overall business environment; the demographic environment; the consumer environment; the retail environment; the technological environment and the future environment. Two examples may serve to illustrate briefly. Shopping developments are increasing in size. In Britain three regional scale centres of over a million square feet are already in operation. In Ireland a 700,000 square feet scheme, The Square, in Tallaght is likely to have a radical impact upon shopping patterns within Dublin, particularly with the development of the new orbital motorway. Second, the changing nature of consumer demand and retail environments has been paralleled by a shift in market power with the growth of multiple chains. Yet there has been evidence lately of a fight-back on the part of the independent sector.

Although perhaps the most difficult to predict, the future environment will be characterised by retailers' growing demand for quality, up-to-date data on consumers and their behaviour, increased adoption of more scientific methods of store assessment, and additional diversification into new products and international markets. Success in the 1990s will depend upon retailers gaining the competitive edge through the pursuit of quality, of service and of matching their consumers' needs to their product offer.

The Emerging Internationalisation of Retailing: Present Status and Future Challenges

Alan Treadgold, Oxford Institute of Retail Management

Abstract

Although international retailing is by no means a new phenomenon, it is only recently that a significant number of leading retailers have committed themselves to developing an international trading presence. This paper discusses the present status of international retailing, develops a three-stage model of the evolution of international retailing businesses and suggests a model of organisation by which retailers may more fully realise the benefits of internationalisation.

INTRODUCTION

The developing internationalisation of retailing is receiving an increasing amount of academic and practitioner attention. The 1992 programme in Europe is generating much of this interest. However, it is clear that, for many retailers, developing a foreign trading presence is often primarily a response to a relative absence of sustainable long-term growth opportunities at home rather than an overt desire to exploit any lowering of barriers to market entry embodied in the 1992 programme. Furthermore, the emergence of retailers trading outside their home markets is not confined to Western Europe alone. Leading Japanese retailers are developing stores elsewhere within the Pacific Rim region and a number of US retailers have well-established interests in Canada and Central America. In addition, the geographic scale of international retailing is being extended by the activities of retailers in developing their interests beyond each of these three core economic regions. One expression of this is the significant presence of European retailers in the US, for example.

This paper has three main components. First, some of the most significant recent developments in the internationalisation of retailing both within and between the main developed markets of Western Europe, the USA and Japan are reviewed. From this disparate evidence that retailing is becoming more international, section two presents a simple typology of the overall status of international retailing to date and the relative stages of development of leading international retailers. Just as retailers have been characteristically cautious in developing their businesses geographically, so many fail to exploit fully the benefits of their international trading presence. Section three suggests a position to which many retailers might aspire as a means to realise fully the benefits of trading internationally.

DEVELOPMENTS IN INTERNATIONAL RETAILING

Activity within the Core Economic Regions

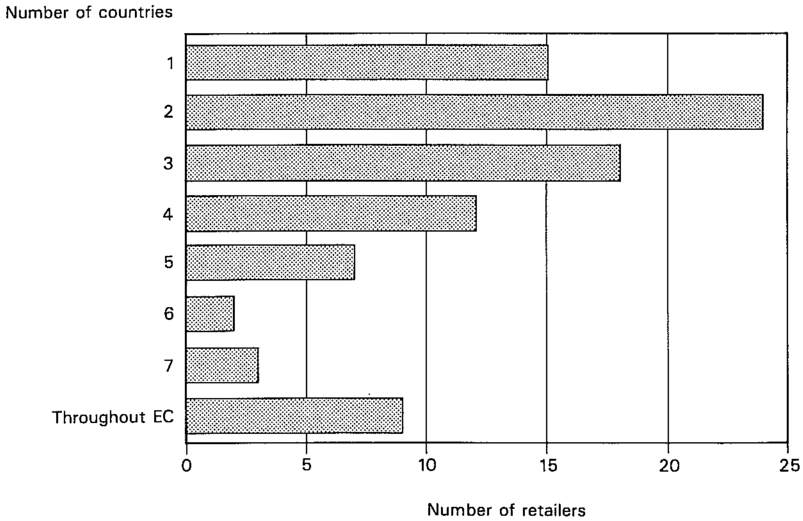
It is within the European Community that retailers are advancing most aggressively outside their home markets. The 1992 programme is facilitating the emergence of supranational retail businesses in Europe but is not, at least should not be, driving the process. Rather, the momentum for developing into other member states of the European Community pre-dates the 1992 programme and is being driven for most retailers by some combination of a perception of a relative absence of sustainable long-term growth opportunities for core businesses in the mature European markets (Belgium, Denmark, France, Germany, The Netherlands and the UK) and a perception of realisable growth opportunities in the under-developed markets (notably Spain and Italy but also Portugal and Greece).

The emergence of supranational retailers in Europe is seen with particular clarity amongst the specialist retailers which are exporting their distinctive formats into other member states. At the end of 1989, at least 94 European specialist retailers had a trading presence in two or more of the 12 EC member states (OXIRM, 1989a). These include such well known names as Damart (the French based clothing retailer), Aldi (limited-line discount food retailer based in Germany), Laura Ashley (UK, clothing), Stefanel (Italian, leisurewear), and the Body Shop (UK, natural skincare products), as well as smaller companies such as Alain Manoukian (a French clothing retailer), High and Mighty (UK based outsize men's clothing) and Ton Sur Ton (sportswear from France). However, whilst the total number of "international" speciality retailers in Europe is impressive, the scale of their international presence is typically modest. Indeed, 60 per cent of these EC-based "international" speciality retailers in fact trade in three or less of the EC member states (Figure 1). Nevertheless, it is clear that development across the EC of speciality retailing formats is growing and will continue to develop, fuelled by the easing, as part of the 1992 programme, of regulations governing franchising.

The Author

Dr Alan Treadgold is a Research Associate at Templeton College, Oxford and a member of the Oxford Institute of Retail Management (OXIRM) based at Templeton. His main research interests are in processes of internationalisation in retailing and the strategic and operational implications for retailers of Europe 1992. He has published and presented widely on these themes and is the co-editor and principal contributor to a recently published set of papers Developments in European Retailing.

Figure 1
The Presence of Europe's International Retailers



Source: Derived from OXIRM, 1989b

With the notable exception of the French hypermarket groups and Aldi's highly distinctive limited line packaged grocery format, few of Europe's largest retailers trade with formats which are sufficiently unique and differentiated as to be capable of replication outside the home market. Nevertheless, the mass merchandisers, faced with mature domestic markets, are pursuing international expansion.

Table 1 identifies the 20 largest retailers in the EC. Naturally, this list is dominated by the food, hypermarket and department store groups from the north European states where all of the leading operators are faced, to a greater or lesser extent, with similar problems of sustaining growth in their core offer in mature markets. These leading retailers are pursuing growth in two main strategic directions: on the one hand, sectoral expansion at home into other retail sectors and retail-related activities with perceived growth opportunities and, on the other hand, expansion outside the home markets. These growth strategies are not, of course, mutually exclusive. Figure 2 positions the 20 largest EC retailers according to the emphasis which each has given to domestic diversification and international expansion. These positions have been established on the basis, as far as it is possible to disaggregate, of the approximate proportion of total group turnover derived from non-core activities at home and from non-domestic trading interests. This positioning exercise illustrates the extent to which companies like Vendex International and Asko-Schaper have transformed themselves into highly

Table 1
The EC's 20 Largest Retailers[a]

Rank	Company	Country of origin	Financial year ending in	Group turnover[b] (ECU m)
1.	Tengelmann	W. Germany	1989	17,986
2.	Rewe	W. Germany	1989	14,203
3.	Leclerc	France	1989	12,386
4.	Intermarché	France	1989	12,101
5.	Edeka	W. Germany	1989	10,628[c]
6.	Aldi	W. Germany	1989	10,628
7.	Promodes	France	1989	10,550
8.	Carrefour	France	1989	10,516
9.	Sainsbury	UK	1990	10,294
10.	Casino	France	1989	8,442
11.	Marks & Spencer	UK	1990	8,329
12.	Tesco	UK	1990	8,023
13.	Vendex	Netherlands	1990	7,666
14.	Ahold	Netherlands	1990	7,566
15.	Karstadt	W. Germany	1989	7,150
16.	Asko	W. Germany	1989	7,034
17.	Gateway	UK	1989	6,758
18.	GIB Group	Belgium	1989	6,408
19.	Otto Versand	W. Germany	1989	6,397
20.	Kaufhof[d]	W. Germany	1989	6,288

Notes:

[a] Including buying groups but excluding co-operatives

[b] Group turnover includes sales of affiliated companies where appropriate and in some instances sales taxes (where separated data are not available).

[c] Retail sales only (that is, excluding wholesaling turnover).

[d] Owned by Metro. Metro is not included in this table since the bulk of its revenue comes from cash and carry operations.

Source: Oxford Institute of Retail Management/Corporate Intelligence Group, 1990

diversified retail groups in their home markets — the Netherlands and Germany respectively — and with extensive non-domestic retailing interests also. By contrast, the UK food retailer, Tesco, and the German department store group, Karstadt, continue to concentrate almost

Figure 2
The Growth Strategies of Europe's 20 Largest Retailers

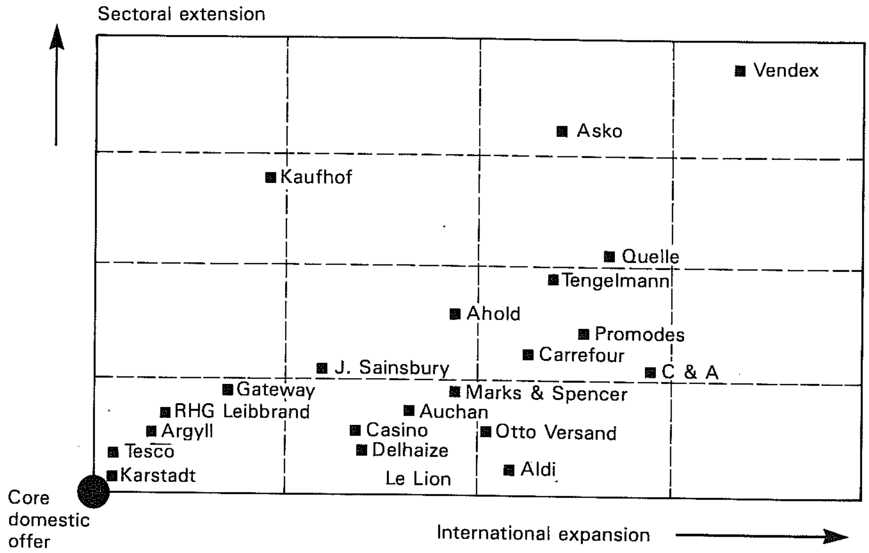


Table 2
Number of Aldi Stores by Country, December 1989

Country	Number of stores
Germany	2,158
Denmark	102
Belgium	220
Netherlands	271
France	15
Austria	103
UK	3
USA	225
Total	3,097

Source: Institute of Grocery Distribution, 1990.

exclusively on their core businesses at home. The other leading European retailers lie somewhere between these extreme positions. Aldi, for example, has concentrated on exporting its format out of Germany and into Denmark, Belgium, the Netherlands, France, Austria, the USA and, most recently, the UK (Table 2).

Retailers in Europe are developing their businesses outside their home markets in less visible, but certainly no less significant, ways than organic growth. Cross-border acquisition activity is also taking place. The relevance of acquisition as a means of market entry for retailers which do not possess the elusive quality of a distinctive format capable of international export was illustrated neatly in 1989 when, at the same time that Aldi was beginning to establish its distribution infrastructure to support its distinctive stores in the UK, another German food retailer, Tengelmann, was attempting to acquire one of the leading UK food retailers, Gateway. This bid was ultimately unsuccessful but has left Tengelmann with a 20 per cent stake in Gateway, held by Tengelmann's US subsidiary, A & P, the fourth largest food retailer in that country. Table 3 identifies some of the more significant cross-border acquisitions in the last three years involving retailers in the EC. The scale of activity has, in fact, been lower than might be expected, given the considerable growth in the latter part of the 1980s in total value of cross-border acquisitions in Europe (Department of Trade & Industry, 1990). There are a number of reasons for this. Many of the leading continental European retailers are privately held businesses. For those which are not, highly protected capital markets, particularly in Germany and the Netherlands but also, to a lesser extent in France, can make publicly quoted companies effectively invulnerable to hostile bid activity. Furthermore, one feature of the under-developed retail markets of the southern states is the absence of significant retail companies which are attractive acquisition targets. Over and above these considerations, leading retailers in Europe have, over the last two years or so, shown a preference for forming alliances with retailers in other member states rather than for acquiring them.

Cross-border alliances between leading European retailers have come to prominence as a route to establish an international position without necessarily an international trading presence. Alliances which extend to a European scale the established principle of retail collaboration for purchasing have received most attention. However, not all of the recently constituted cross-border retail alliances have been established to enhance the purchasing power of participating companies (Treadgold, 1990a, 1990b). By reference to the main motivations behind their formation, four main types of alliances can be distinguished as either "purchasing led", "development led", "skills based" or, "multi-function" alliances which embrace elements of all three. Table 4 identifies some of the most

Table 3
Major Cross-border Acquisitions in Europe between EC Retailers, 1988 – mid-1990

Seller	Activity	Buyer	Activity	Year of purchase
DIGSA (Spain)	Grocery	Ashley Industrial Trust (UK)	Holding company	1988
Maxis (Nl)	Grocery	Garvey Holdings (Switz)	Holding company	1988
Jacadi (Fr)	Childrenswear	Storehouse (UK)	Retailing	1988
Kapy SA (Sp)	Electrical	Granada Group (UK)	TV and leisure	1988
Tours Pneus (Fr)	Tyre retailer	Kwik-Fit (UK)	Car parts	1988
Book Club Associates (UK)	Book Club	Bertelsmann (Ger)	Media	1988
Sagara (Sp)	Grocery	Albada Jelgersma Holding (Nl)	Holding company	1989
Candice (Fr)	Confectionery	Thorntons (UK)	Confectionery	1989
Nouvelle de Confiserie (Fr)	Confectionery	Thorntons (UK)	Confectionery	1989
Le Herbier de Provence (Fr)	Toiletries/ Cosmetics	Booker (UK)	Food distribution	1989
Fardis (Fr)	Fabrics and Furnishings	Osborne & Little (UK)	Fabrics and furnishings	1989
Mays (NI)	DIY	CRH (Eire)	Construction materials	1989
Oppermann Versand (Ger)	Mail Order	Metro (Switz)	Cash & Carry	1989
SB-Warenhaus und Fachmarkt (Ger)	DIY	Promodes (Fr)	Grocery	1990
Dismo (Sp)	Grocery	Ashley Industrial Trust (UK)	Holding company	1990
Biba (Ger)	Clothing	Hapeni Portfolio Company (Europe)	Holding company	1990
Massa (Ger)	Grocery	Metro (Switz)	Cash & Carry	1990

Source: Acquisitions Monthly, various years.

important cross-border alliances between European retailers in each of these categories. A notable feature of development-led alliances is that they are being used to facilitate market entry by retailers from the developed northern markets into the underdeveloped southern states by working with an established operator familiar with the local trading environment.

Table 4
Cross-border Retail Alliances in Europe: Some Leading Examples

(i) *Purchasing led*

Eurogroupe. Established in 1989 between GIB and Vendex International, the largest retailers in Belgium and the Netherlands respectively, and Rewe Zentrale (now Rewe Bad Homburg) of West Germany. The initial function of Eurogroup is the joint buying of fresh fruit and vegetables and this has already begun to take place.

SODEI. Established by GIB and Paridoc of France in September 1988. The main function of SODEI is joint buying of groceries, textiles, clothing and household goods, and, in particular, own brand development.

(ii) *Development led alliances*

Delhaize "Le Lion"/Pingo Doce. Delhaize "Le Lion", one of Belgium's leading food retailers, has a 40 per cent stake in a joint venture with Pingo Doce of Portugal. These two groups are developing jointly a supermarket operation in Portugal.

Euromarché/Espirito Santo. The French hypermarket operator, Euromarché, has a joint venture with Espirito Santo of Portugal to develop jointly hypermarkets and DIY outlets in Portugal.

Sonae. Sonae, Portugal's largest retailer, has recently entered into joint ventures with three French retailers, Continente, Prisunic (part of Printemps) and with Printemps itself.

Carrefour/Simago. From France, Carrefour's early involvement in Spanish hypermarket retailing was through a joint venture with the food retailer Simago and its then owner, the March financial services group.

Auchan, Casino, Castorama and Intermarché have all established recently joint venture agreements with Italian retailers — Conti Supermercati, La Rinascente, Standa and Sisa respectively.

(iii) *Skills-based Alliances*

J. Sainsbury/GIB. GIB holds a 25 per cent stake in Sainsbury's Homebase DIY operation and provided some initial assistance in the development of this new venture for Sainsbury.

(iv) *Multi-function Alliances*

European Retail Alliance (ERA) and Associated Marketing Services (AMS). ERA was created in May 1989 by three leading food retailers — Argyll from the UK, Ahold of the Netherlands and Casino from France. ERA is the core group within AMS, which extends the co-operation principle to a further group of seven retailers — Migros (Switzerland), ICA (Sweden), Mercandona (Spain), Kesko (Finland), Dansk Supermarked (Denmark) and Allkauf (West Germany). ERA holds a 60 per cent stake in AMS. The remaining 40 per cent is split between the other members, each of which can hold up to 5 per cent.

Source: Derived from Treadgold, 1990b

The European Retail Alliance (ERA) and its sister organisation, Associated Marketing Services (AMS), is arguably the most important of the recently constituted alliances between European retailers, both for the combined purchasing potential of the participant food retailers (some £30 billion), and, more importantly, for the areas of co-operation envisaged by the participants in this group. It is the only representative to date of a wide-ranging "multi-function" co-operation agreement. AMS has identified 14 specific areas of opportunity for its members (Table 5). Clearly, the objectives of AMS are more than those of a buying group; the principle of collaboration also extends into areas of business development and exchange of information and skills.

Table 5
AMS: Areas of Opportunity

- Development of existing business
- Co-ordination of supplies
- Co-ordination of promotional support
- Introduction and testing of new products
- Standardisation of product and packaging
- Co-ordination of distribution
- Development of merchandising and promotional materials
- Co-ordination of own brand development
- Material sourcing for own brand suppliers
- Assistance in production and distribution
- Operation of stock holding
- Management of temporary supply shortages
- Forum for retailer/supplier issues

Source: Associated Marketing Services, 1989

Cross-border alliances are adding a new dimension to the developing internationalisation of retailing. It is, however, relevant to question whether these types of relationships will be a significant and permanent feature of the retail landscape. Development driven alliances appear to be particularly unstable. These relationships have been established for a specific purpose and once that purpose has been achieved, or indeed if it proves impossible to achieve, the rationale for the alliance ceases to exist. A further uncertainty surrounding the future of purchasing-led alliances in particular is the view that national and European regulatory bodies will take of them. In this respect, it is too early to make any informed forecasts as the European Commission has, at the time of writing, yet to take a stance on whether cross-border alliances constitute an unacceptable degree of concentration of purchasing power and therefore represent a distortion of competition.

By contrast with the strong activity in Europe, leading US retailers have generally been slow to develop outside their home market. Of the 50 largest US retailers, just 11 had operations outside the USA in 1989, principally in South and Central America and Canada (Treadgold, 1989). A major reason for this relative lack of interest in international development is the continued existence of strong growth opportunities within the US for the leading retailers. For example, while the Wal Mart discount store operation has grown into a $20 billion plus turnover business in just 26 years trading, some commentators forecast that, as the company continues to move aggressively into new locations in the USA, the company could have a turnover in excess of $120 billion by the end of this century (Personal Communication). Some of the largest US retailers have been most notable for divesting of their foreign interests. Sears Roebuck and J.C. Penney are two prominent examples. After 13 years of persistently poor trading in Spain, Sears Roebuck sold its operations there in 1982. Some years earlier, in 1975, the company sold its Belgian business, Galeries Anspach, back to the original owners after just five years of ownership. By 1987, at the end of this divestment phase, Sears Roebuck's trading interests outside the US were limited to Canada and Mexico. J.C. Penney acquired Belgium's third largest retailer, Sarma, in 1969 but sold the company to the GIB Group in November 1987 and now trades outside the US in Puerto Rico only.

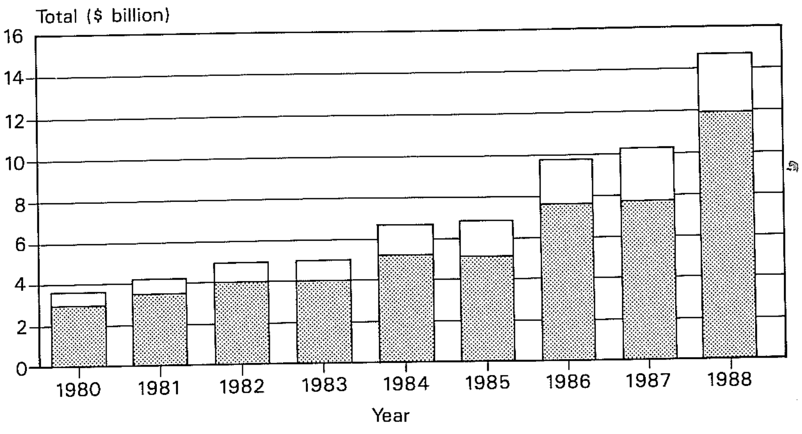
Activity between the Core Economic Regions

The emerging internationalisation of retailing is not confined only to developments *within* the world's core economic zones. Increasingly, internationalisation is taking the form of movement *between* and beyond Western Europe, the United States and the Far East.

European involvement in US retailing is an established feature of the internationalisation of retailing. During the period 1980 to 1988 (the latest year for which information is available), total foreign direct investment into the US retail trades increased from $3.65 billion to $14.77 billion (Figure 3). Disaggregating by country of origin the foreign direct investment position up to and including 1988 reveals that it is European-based retailers faced with problems of sustaining growth in mature home markets which are the heaviest investors into the USA (Figure 4). UK, and to a lesser extent, Dutch and German companies dominate. Leading food retailers, including Sainsbury from the UK, Ahold (Netherlands) and Tengelmann (Germany) have all bought heavily into US businesses, for example. Today, some of the best known names in US retailing are foreign owned, including the department store businesses Bloomingdales (still owned by the beleaguered Canadian property developer, Campeau) and Saks Fifth Avenue (formerly owned by British American Tobacco and now by Investcorp, the Arabian Investment Corporation), 7-Eleven (majority owned by Ito-Yokado of Japan) and Brooks Brothers (owned, since 1988, by Marks & Spencer).

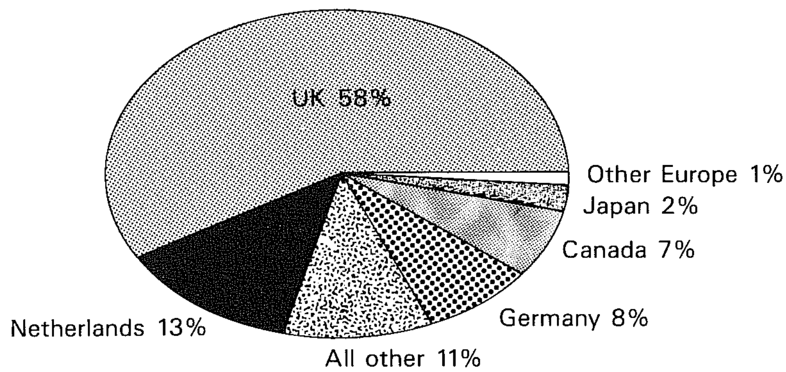
Some European retailers have an importance to US retailing which extends beyond simply the number of stores from which they trade. The French hypermarket groups are a case in point. Carrefour, Auchan and Euromarché each have a very limited, and not particularly successful presence in the USA. However, their presence appears to have served as a catalyst for regenerating interest amongst leading US discounters, including Wal Mart and K Mart, in the combined food and non-food hypermarket format.

Figure 3
Foreign Direct Investment in US Retailing, 1980-1988



Source: US Department of Commerce

Figure 4
Origin of Foreign Direct Investment in US Retailing, 1988



Source: US Department of Commerce

In the reverse direction, leading US retailers have been reluctant to develop outside the Americas. Specialist retailers are, by contrast, rather more active. Fast food operators such as McDonalds and Kentucky Fried Chicken and convenience store formats such as 7-Eleven are well known to consumers in Europe and the Far East. Indeed, these formats are amongst a very select group of retailers which can legitimately claim to have something approaching a global presence. In clothing, one of the most important operators in the sector, The Gap, has a presence in the UK already and plans further growth in Europe. Further involvement of US retailers in Europe appears likely. For example, Woolworth (which still owns Woolworth in Germany but is now quite separate from businesses trading under the Woolworth name in the UK and Australia) has transformed its business, and its fortunes, in the USA by developing a wide range of specialist formats, particularly in footwear retailing. It is likely that some of these specialist formats will appear in Europe in the near future. One US specialist retailer — a so-called "category killer" — which has made a significant impact already is Toys R Us. Toys R Us began trading outside the USA only in 1984. At the end of 1988, the company traded from 410 stores, including outlets in Canada (23), UK (18), Germany (7), Hong Kong (1), Malaysia (1) and Singapore (2) (OXIRM Databases). In France, as in the UK, Toys R Us has ambitious expansion plans which include opening five stores each year up to a total of 45 units (Fauveau, 1990). Subject to reform of the Large Stores Act, the company plans to develop its presence in Japan also. Toys R Us is another retailer whose significance to the sector extends beyond purely the number of stores from which it trades. The company is estimated to add 0.5 per cent to its market share with every new store that it opens in the UK and has brought a level of formality to a sector which, historically, has been dominated by specialist independents.

There are some signs that retailers from the Far East are beginning to develop outside the Pacific Rim countries. For example, the Japanese department store group, Daimaru, will open a full scale store in Australia (Melbourne) in 1991. Daimaru will use this store to develop, probably over many years, its expertise in operating in a Western environment as a learning ground before making a more significant move outside the region. Thirty-six foreign retailers trade in Australia already, including IKEA, Mothercare, Benetton and Body Shop (OXIRM Databases). Some Australian retailers have also moved offshore. One prominent, but unhappy example is the Hooker Corporation which, in addition to mall development, bought heavily into the US department store sector. One of Australia's most successful specialist retailers, Country Road, which began in ladies clothing and has now added menswear and, most recently, home furnishings, has a small presence in the USA which is likely to be further developed (Richards, 1990). Of far greater significance would be any moves into new geographic markets by Australia's largest retailer, Coles Myer. Coles Myer has a 17 per cent market share of all retail sales in Australia and is amongst the twelve largest retailers in the world (Annual Report and Accounts, 1989). This exceptional level of dominance within the home market precludes the possibility of further growth by acquisition at home. Outside Australia, the company acquired one of the most important retailers in New Zealand, Progressive Enterprises, in May 1988. In trading terms, this effectively completed the "home" market for Coles Myer. One of the challenges for the company in the 1990s will be to consider very carefully its opportunities to grow outside Australia and New Zealand.

The concern in the USA that Japanese businesses are taking over the US economy (Sony's acquisition of Colombia Pictures and Mitsubishi Corporation's purchase of New York's Rockefeller Centre, for example) has not taken place in retailing (OXIRM, 1989b). With the exception of the purchase by Jusco of Talbots, a womenswear and mail order business, in 1988 and, more recently, Ito Yokado's acquisition of the Southland Corporation, Japanese involvement in US retailing is minimal. Japanese retailers figured prominently in the recent round of bidding for US department stores when, for rather different reasons, both the Campeau Corporation of Canada and British American Tobacco, sought to sell their interests in such well known operators as Bloomingdales, Saks Fifth Avenue and Marshall Field. Ultimately, however, these icons of US retailing stayed out of Japanese control. Similarly, there is relatively little involvement of Japanese groups in European retailing, although Aeon Group, owners of the Jusco supermarket business, acquired a 15 per cent stake in Laura Ashley in 1990 (Thornhill, 1990) shortly after Renown International of Japan had purchased Aquascutum (Corporate Intelligence Group, 1990) and Yaohan announced its intention to develop a department store and shopping centre in north London to open in 1992 (Corporate Intelligence Group, 1990).

In the reverse direction, a number of prominent names in international retailing are looking for opportunities in the Far East. For example, Stefanel of Italy has a trading agreement with the Japanese company, Onward Kashiyama and the German mail order company, Otto Versand, distributes its *Together* catalogue in Japan in a joint venture with the conglomerate, Sumitomo (Sanghavi, 1990).

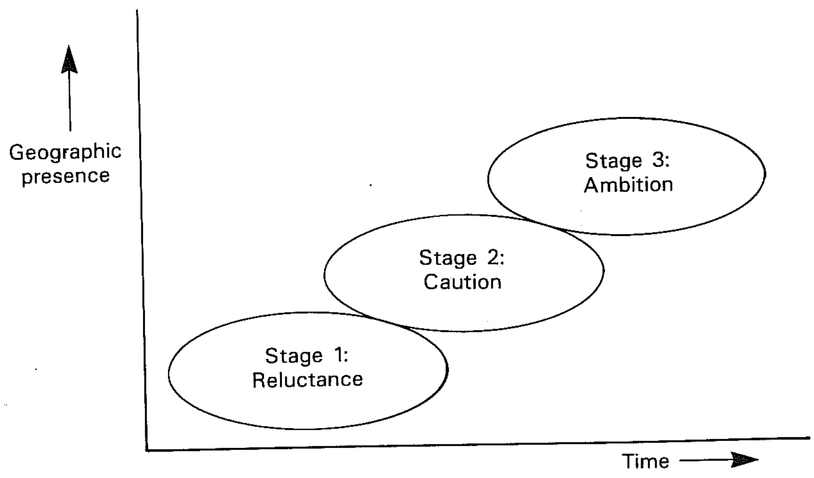
Further impetus to the developing internationalisation of retailing has been added recently by the extraordinary opening up of the markets of Eastern Europe. Understandably, most retailers are remaining cautious and are not making large-scale commitments to markets with unknown potential but well-known difficulties. There are, however, some interesting developments taking place. IKEA, the highly distinctive flat pack furniture retailer from Sweden is one case in point. IKEA sees major growth opportunities for its format in some of the East European markets. The company has recently opened its first store in Hungary, has advanced plans to develop a warehouse and retail centre in Poland and has reached agreement with the Soviet authorities to begin developing stores in that country. Benetton, which already has a small store presence in a number of the East European economies, is also moving to establish a more significant presence. After protracted negotiations, Benetton has reached agreement with the Soviet authorities to establish a joint venture with Ayaz, part of the Armenian Ministry for Light Industry, to make up to three million articles of clothing a year within the next three years (*Financial Times,* 1990). It is, however, the German retailers which have moved most quickly into Eastern Europe. For example, the food retailers Asko and Tengelmann have both established joint venture agreements as a means to enter Bulgaria and Hungary respectively, while Aldi's discount grocery format is particularly well-suited for export into what was formerly East Germany.

THE STATUS OF INTERNATIONAL RETAILING: A SIMPLE TYPOLOGY

The foregoing section has highlighted some of the more significant moves by retailers in developing their businesses internationally both within, and increasingly, between the main developed regions of the world. Drawing these disparate developments together, what is the status of international retailing today?

A review of the growth of retailers outside their home markets suggests that, for many retailers, international expansion proceeds in typically three stages (Figure 5). Characteristically, many retailers are reluctant

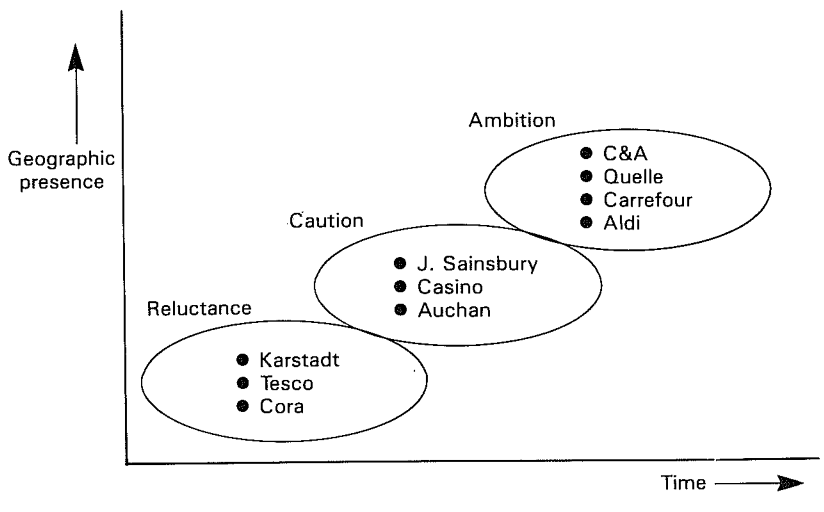
Figure 5
Stages in the Development of an International Retail Business



initially to develop their businesses internationally (Stage 1) and often are only persuaded to do so in response to a perceived absence of long-term growth opportunities in the home market. In their early stages of international expansion, retailers are often cautious in developing outside their home markets (Stage 2). The search is for growth opportunities in close geographic proximity and, crucially, with fundamental similarities to the home trading environment. This emphasis on minimising perceived cultural distance (the reality may be rather different) between the domestic market and the overseas market has its expression in continued heavy investment by UK retailers into the USA, for example. In Europe, this caution is seen in "border-hopping" moves, such as the involvement of French hypermarket groups in Spain, Dutch retailers in Belgium, German groups in Denmark, and Swedish retailers moving first into other Scandinavian countries. (For a more complete account of cross-border retailing in Europe, see Oxford Institute of Retail Management/Corporate Intelligence Group, forthcoming). After accumulating experience gained in operating outside their home markets, many retailers have become more aggressive in searching for new international growth opportunities (Stage 3). In this third stage, the search process emphasises the scale of the opportunity rather than considerations of geographic or cultural proximity to the home market. The still very limited presence of non-EC retailers trading within the EC is indicative of the fact that few retailers have achieved this status.

International retailing generally may be characterised as being solidly in Stage 2 of this simple three-stage schema. Individual retailers are at different stages of maturity in developing an international trading presence, of course. This can be seen by plotting, on the basis of the proportion of total group turnover from foreign interests and the geographic coverage of those interests, the international positions of a selection of leading retailers. Table 6 presents the proportion of total group turnover derived from non-domestic retail interests for 30 leading "international" retailers. Figure 6 plots the positions of some of these companies on the basis both of this data and of the number of countries in which they trade.

Figure 6
International Development: The Positions of Leading European Retailers



Marks & Spencer is one example of a company which has developed an international presence in a sequence which approximates to this three-stage model (Figure 7). Marks & Spencer's early moves outside the UK were into Canada in 1972 and France (Paris and Lyons) and Belgium

Table 6
The Foreign Interests of Leading "International" Retailers

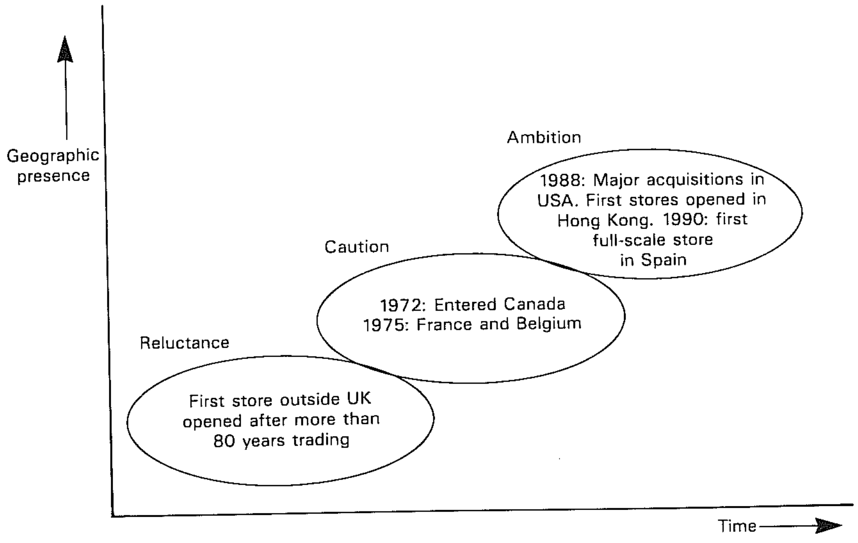
Company	Country of origin	Foreign turnover as % of total	Accounting year
IKEA	Sweden	80	1987
Bally	Switzerland	72	1988
Benetton	Italy	70	1988
Laura Ashley	UK	59	1988
Mr Minit	Belgium	56	1987
Hermes	France	53	1988
Mothercare	UK	53	1988
C&A	West Germany	46	1987
Hennes & Mauritz	Sweden	42	1987
Continent	France	41	1988
Habitat	UK	41	1988
Kentucky Fried Chicken	USA	36	1988
Dixons	UK	34	1987
7-Eleven	USA	32	1988
Stefanel	Italy	29	1988
Baskin Robbins	USA	26	1987
Carrefour	France	25	1988
Circle K	USA	25	1987
Midas	USA	24	1988
Kwik Fit	UK	23	1988
Aldi	West Germany	20	1987
Auchan	France	20	1988
McDonalds	USA	20	1988
Wickes	UK	19	1988
Pizza Hut	USA	13	1988
Printemps	France	12	1987
W.H. Smith	UK	12	1987
Toys R Us	USA	11	1987
Asko	West Germany	10	1987
Burger King	USA	10	1988

Source: OC&C Strategy Consultants, 1989.

(Brussels) in 1975. These moves were cautious in the sense that the company anticipated that its established retail formula in the UK could be exported to Canada with minimal alteration (the reality was very different), and the first stores in continental Europe were targeted at the expatriate community, already familiar with Marks & Spencer. In the latter half of the 1980s, M & S has been notably more ambitious and has made two major acquisitions in the USA (Brooks Brothers menswear and Kings Super Markets, an East Coast food retailer). Brooks Brothers also gave M & S a presence in the Far East at the same time as the company opened its first Marks & Spencer stores in Hong Kong. Most recently, M & S has committed itself significantly to developing its trading presence in continental Europe. An expression of this commitment was the opening of a new distribution warehouse in northern France with a capacity to service several more stores than are presently trading in France and Belgium (including a first store in the Netherlands) and, in 1989, the opening of M & S's first full-scale store in Spain.

But if for many retailers the rationale for trading internationally is sound, the execution has often been poor. Many highly regarded retailers continue to be notably less successful outside their home market than they are within it. Accounting practices mean it is often difficult to

Figure 7
The International Development of Marks & Spencer



make meaningful comparisons of the financial performance of parent companies and their foreign subsidiaries. Nevertheless, more circumstantial evidence is compelling. Again, Marks & Spencer is a case in point. For more than 20 years the company's trading performance in Canada has been marginal at best and bears no relation to M & S's outstanding performance in the UK over the same period. Printemps, one of the best known names in department store retailing in Europe, has recently closed its flagship store in Denver, Colorado and Carrefour's ability to trade successfully in the USA is by no means proven. Difficulties in foreign operations can also have a damaging effect on the home market position of a retailer. The most publicised recent collapse of a UK specialist retailer is Sock Shop. Some of Sock Shop's trading difficulties which ultimately brought down the whole company were a product of the company over-reaching itself financially and managerially in attempting to establish rapidly a presence in the USA.

THE CHALLENGE FOR INTERNATIONAL RETAILING

Few retailers have a format which is distinctive enough and strong enough to be capable of export, without significant modification of the core offer, into very different consumer and trading environments. The familiar "global" branded retailers such as IKEA, Benetton, McDonalds and Body Shop are exceptional in this respect. Other retailers are nevertheless developing their businesses internationally by means other than organic growth, including acquisition, joint venture and strategic alliances. Whatever the mode of market entry and the nature of the retail proposition, the challenge facing prospective and present international retailers is how to realise the full benefits of an international presence so that the sum of the retailer's total activities becomes greater than that of the individual component parts. In other words, the challenge is to leverage the scale and efficiency benefits of a global approach while remaining sensitive to the important, and very durable, differences in consumer and retail environments, whether defined by reference to national political boundaries or by functional region. (For a wide range of literature identifying and classifying consumer groups in Europe see, for example, Gibson and Barnard, 1989 and Vandermerwe and L'Huillier, 1989). For most retailers this demands making a trade-off between the desire for global homogeneity and the necessity for local sensitivity.

This dilemma is traditionally presented in terms of the appropriateness of global as opposed to multinational strategies for market entry and operation. Levitt's distinction between a multinational and a global corporation is still the most revealing. "The multinational corporation operates in a number of countries, and adjusts its products and practices in each — at high relative costs. The global corporation operates with resolute constancy — at low relative cost — as if the entire world (or major regions of it) were a single entity; it sells the same things in the same way everywhere"(Levitt, 1983).

Salmon and Tordjman (1989) have employed this distinction to retailing and define a global retail strategy as being the : "faithful replication of a concept abroad. . .as if their [the retailer's] targeted market was homogeneous, thereby ignoring all national or regional differences". . .whereas, in a multinational strategy: "retailers consider their subsidiaries to be a portfolio of geographically dispersed retail businesses, for each of which they adapt their standard formula to fit the local market conditions."

Few retailers are realising the full benefits of their international presence. For many, developing internationally is, above all, a means to sustain growth outside a constrained home environment. This is a very limited view of the benefits of operating internationally. In particular, the value of cross-cultural exchanges of information, techniques and experiences should not be underestimated. If, as commentators such as Ohmae (1985) suggest, California leads in youth market trends which then appear in the other developed markets, there is obvious appeal for some retailers in having a presence in such a leading edge market. (Outside retailing, it is interesting to note that a number of Japanese auto manufacturers have design studios in California.) Marks & Spencer is reported to take an increasingly wide view of the benefits of its international presence including, for example, the attraction of wider opportunities to both attract and retain first class management (Silberston, forthcoming). Like most other international organisations, retailers can learn from their foreign interests as well as bringing to bear on those interests the skills of the parent company.

In the global versus local trade-off the clear tendency amongst all but that select group of "global" retailers has been to emphasise localisation above globalisation. Typically, this manifests itself in adopting multinational organisational structures which regard each part of a retailer's geographic presence as distinct and separate elements of the total organisation. Yet few of the benefits of trading internationally can be realised without a high level of integration between the retailer's home market interests and its foreign interests.

Integration need not imply a standardised global appearance. For the majority of retailers who do not possess the elusive quality of a culturally unconstrained offer, the most appropriate international strategy is one which emphasises the uniqueness of local markets. But being locally responsive need not imply adopting a multinational strategy which, by treating each country as a separate trading unit, does not allow for the possibility of realising the benefits of trading internationally to both the home market and the foreign operations. Rather, international retailers should strive to be not multinational but *trans-national* organisations.

The objective of the trans-national retailer is to reconcile the apparently conflicting aims of local responsiveness and global efficiency. Bartlett and Goshal (1989) present the case for transnational organisations: ". . .managers in most worldwide companies recognise the need for simultaneously achieving global efficiency, national responsiveness, and the ability to develop and exploit knowledge on a worldwide basis. Some, however, regard the goal as inherently unattainable. Perceiving irreconcilable contradictions among the three objectives, they opt to focus on one of them, at least temporarily. The transnational company is one that overcomes these contradictions". The transnational retailer is one which presents an offer tailored to the localised demand characteristics of consumers but which is leveraging the behind-the-scenes efficiencies and benefits of being a global operator (Figure 8). Furthermore, being a transnational retailer is a sustainable position because, unlike a multinational organisation, it can be responsive to change in retail and consumer markets not only *within* nationally defined markets but also, and crucially, *between* national markets.

Figure 8
International Development Positions

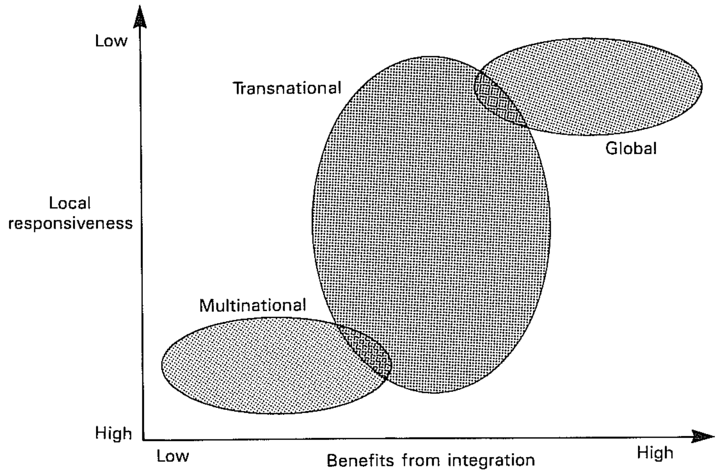
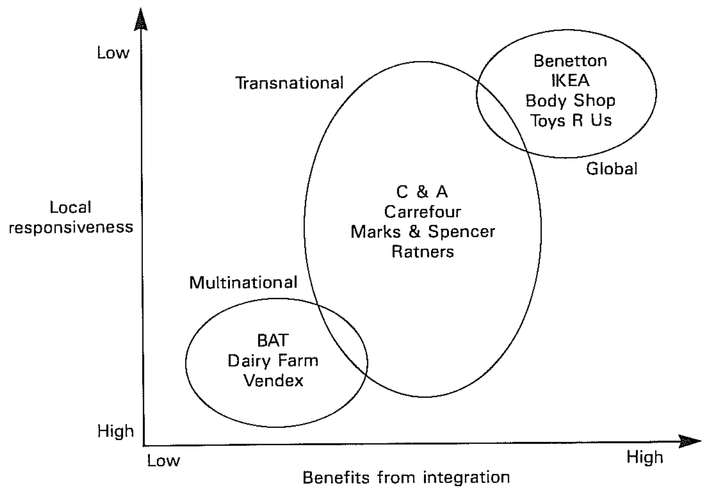


Figure 9 positions some leading international retailers by reference to their mode of organisation. The small group of retailers which can claim to be global in both a geographic and an operational sense have been discussed already and include such familiar names as Benetton, IKEA, Body Shop and Toys R Us. British American Tobacco is a recent example of a multinational retailer. During the 1980s, BAT reduced its dependence on tobacco products by diversifying into financial services, paper manufacture and retailing. As part of this strategy, BAT acquired a portfolio of retail interests which included department stores, principally Saks Fifth Avenue and Marshall Field, in the USA, the Horten department store business in West Germany, and the catalogue showroom retailer, Argos, in the UK. Each of these companies was operated as quite distinct trading units. Most recently, of course, BAT has, with the exception so far of Horten, divested of its retail interests. Another multinational retailer is Dairy Farm, part of the Hong Kong conglomerate, Jardine Matheson. In addition to its established presence in Hong Kong, Dairy Farm has acquired interests in food retailing in Australia (Franklins), the UK (a significant minority stake in Kwik Save), Spain (Simago) and, most recently, New Zealand (Lion Nathan). Each part of Dairy Farm is operating as a separate entity, although there is clearly scope for cross-fertilising ideas between parts of the group (such as exploiting Franklin's expertise in distribution, for example).

Who then are the aspiring transnational retailers? They include C&A which occupies very different market positions in many of the countries in which it trades but whose national head offices exchange information about local markets and suppliers. Carrefour is another retailer which is employing to the benefit of the whole group skills learned in its foreign subsidiaries. Carrefour has exported its hypermarket format into Spain, Brazil, Argentina, and the USA, among other countries, and has in return gained expertise from its foreign interests, including fish retailing from

Spain and funds handling from Brazil. Marks & Spencer is also turning itself into a transnational retailer. Marks & Spencer spent many years trading unprofitably in France before its offer had been adjusted to and was understood by the French consumer. M & S did not want to go along the same protracted learning curve when it invested in Spain so it drew on its experiences in France and established its first full-scale store in Spain as a joint venture with a local department store operator familiar with the environment in Spain.

Figure 9
International Development: The Positions of Some Leading Retailers



CONCLUSION

Retailing is becoming an international activity. Indeed, it is increasingly difficult to identify with precision where one national market ends and another begins. The convergence of national markets, or at least the blurring of boundaries between them, is especially evident in Western Europe. Yet retailers must continue to be alert to the profound and durable differences which exist between countries in both trading and consumer environments. Very few retail formats are strong enough to transcend such differences. The small number of truly global retailers should not deflect attention away from the fact that the majority of "international" retailers have been above all cautious in moving to trade outside their home markets. A multinational approach to international expansion is consistent with such caution to the extent that failure in one market has been thought not to jeopardise the whole business. However, this is a dubious and overly defensive assumption. Present and prospective international retailers must now make a conceptual leap and question whether such logic is consistent with a world where forces of homogeneity and integration are in the ascendancy.

Unlike the global retailer, the transnational retailer is responsive to local environments and, unlike the multinational retailer, the transnational retailer can benefit from an international exchange of experiences and ideas. This position can reconcile the apparently conflicting objectives of global efficiency and local responsiveness and it is to this position that most international retailers need to aspire if they are to realise the full benefits of their international presence.

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Retailing in the 1990s: Differentiation through Customer Service?

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Abstract

Retailing is a competitive business. For many retailers this means price competition. Consumers however are increasingly valuing not price competition but the service retailers provide. This article considers the opportunity for retailers to be successful in the 1990s through differentiating themselves on the basis of their customer service offering.

A taxonomy of customer services is provided and a total service approach is advocated. Such an approach is not easily achieved, although, as a case study of Nordstrom, a Seattle based chain of department stores, illustrates, it can and should be done.

"Rule 1: the customer is always right!
Rule 2: If the customer is ever wrong, re-read rule 1".
(Stew Leonard's Diary, reported in Zemke and Schaaf, 1989)

For many, many years retailers have been chanting the mantra that the customer is always right. In reality however many customers leave many shops feeling that the last thing they ever want to do is to revisit that store or company. Retailers often claim to be good at customer service and to provide excellent service. Customers on the other hand readily complain that service is not what it was and that standards have declined. This harking-back to some golden era of service is a common refrain.

This mismatch between service provision and service expectation provides an opportunity for some retailers to differentiate clearly themselves according to their customer service provision. Such differentiation is not suitable for all retailers, nor is it an easy objective to attain, requiring the development and implementation of a full customer service strategy. Customer service is clearly important to retailing. The nature of customer service is changing however and the implementation of a customer service strategy is difficult. These issues are the focus of this paper. Whilst the paper is written from a British perspective and comments mainly, though not entirely, on British retailing, similar issues also apply to much of retailing worldwide.

RETAILING IN THE 1990s

British retailing at the start of the 1990s is in an interesting position. On the one hand there are highly successful retailers such as Tesco, Sainsbury and Marks & Spencer, which seem oblivious to the supposed spending squeeze and Government requirement to reduce customer spending. On the other hand there are spectacular casualties such as Sock Shop and Lowndes Queensway where the economic environment and retailing management problems have taken their toll. Elsewhere former retailing stars such as Laura Ashley, Next, Burtons and Sears are feeling the pinch in major ways and reacting by retrenching their operations through closures. Retailing, a glamour sector of the 1980s, has suddenly been cast in a new guise. Pressure on retail companies to service borrowings and to attract customers will require them to think very carefully about their retail offering.

The story of British retailing since the Second World War is basically one of innovation and success with a movement away from price competition towards competition on non-price factors, including customer service. The rationing of the 1940s and the 1950s gave way to the price competition of the 1960s and 1970s and then to the non-price competition (location, design, range, depth, service, etc.) of the 1980s (Dawson and Sparks, 1985; Howard and Davies, 1988; Wrigley, 1988; Gardner and Sheppard, 1989). In the process the counter service approach was replaced by self-service and much of the retail trade was de-skilled. Retailers began to think strategically and to attempt to ensure that their store offering reflected their strategic positioning. This is particularly the case in terms of the physical facilities. For example, the rise of the food superstore and so-called one-stop shopping has changed food retailing dramatically in many ways. The current generation of food superstores has changed considerably from those being built even ten years ago. Tesco superstores today would claim to be a close match to their target customers' economic and social positions.

If we accept this thumb-nail sketch of British retailing then a paradox appears. Retailing in the 1940s and 1950s is seen as price competitive or subject to rationing with counter service as the main method. The perception, impression and belief from current day consumers however is of a high service level at these dates. As the position changes in the 1960s, 1970s and 1980s and non-price competition emerges so the trade is de-skilled by self-service methods and the service level is viewed as reducing. This popular view of retailing seems paradoxical, because the service level in the past was not some golden age of service and the product and retail offerings now are generally judged as vastly superior to the 1940s and 1950s. A simple comparison of product availability in food and non-food trades in the 1950s and the 1980s makes the point readily.

The explanation lies in two main areas. First is that the service level is very narrowly perceived and defined by many people and is in fact embodied in many cases in the store personnel. The counter service staff are seen as paragons of knowledge compared with today's checkout operators who know very little about the products. In fact this knowledge was in many cases nothing special and the basic job was very limited. What is often overlooked in this is that the staff-customer relationship and balance has been renegotiated over this time. Queues to obtain individual products in a store are forgotten in the remembrance of seemingly product knowledgeable sales staff. Second, the social fabric of society has changed over the period. Shopping behaviour, habits and requirements are very different now. This is clearly seen in the "status" and everyday shopping behaviour of women particularly (Bowlby, 1984). The time taken to shop in the past, the frequency of trips and the social expectations of shopping are anathema to modern day society. Equally, the expectation of service has changed, and indeed the consumer definition of service has moved on. It is possible to argue that service is no longer embodied in the sales staff but is in fact a collection of much wider retailing attributes that must together provide an overall quality service orientation. The golden age of remembered service is in fact a chimera brought about by the social and economic positions then and now. Service from individuals today is possibly no worse, just different, being self-service based not counter-service based. The de-skilling and casualisation of retailing in the meantime has meant that the service is now available only on request and so is seen as being less good in many cases.

Retailing in the 1990s therefore is perhaps poised at a crossroads. Social and economic characteristics of the population have emphasised quality, service and non-price competition in the 1980s. In many ways this has suited the majority of retailers as price competition, it is argued, is much more difficult to be successful at than non-price competition and is also more easily copied by retailers or understood (compared) by consumers. Consumers, aided and abetted by retailers, have rejected price competition and discount operations in the main and moved steadily into valuing non-price competition (Akehurst, 1984; Sparks, 1990). However the economic downturn and the changes in the European market have questioned this trend. Some retailers are arguing that certain consumer groups are now ready to trade away "quality" for cheaper prices and that price competition could be successful again. Retailers feeling the consumer squeeze may also be prepared to lower prices in an effort to buy volume and hopefully market share. On the wider economic front, the effects of the so-called demographic timebomb are also being felt by retailers who are finding

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labour less easy to find and certainly more expensive to employ. The rash of innovative employment schemes in retailing and large pay rises by multiple retailers emphasise the issues. Replacing labour by capital or reducing service levels provided by store staff may ease this pressure. It does however have implications for service levels.

On the one hand therefore the signs all seem to be pointing towards cost problems for retailers who may need to buy market share. New competitors from abroad may hasten this process of price competition. This seems therefore a strange time for retailers to consider differentiating themselves on the basis of excellence in customer service. However, a longer term view of the British economy and retail sector suggests that the quality trends of the 1980s will return and that the movement to service and quality can be profitable for retailers. The economic downturn will not last forever. The social and economic trends of the 1980s are likely to return in the 1990s to create and sustain wealthy segments of the population who will be less interested in price competition (Dawson and Broadbridge, 1988). In any case, retailers will have to differentiate themselves in an increasingly identical high street and out-of-town retail offering. If price is not the answer (and this can be copied easily, though not necessarily profitably long term) then the non-price elements will have to be used. Amongst these service may emerge as a good opportunity for differentiation. The caveats on this however are that the service offering must be managed as an integral whole in the same way as a cost-focus strategy would be and that a much broader view of customer service is taken than before. A price strategy is now a commonly understood phenomenon and discount retailers can have their "value chains" analysed (Johnson and Scholes, 1988). The total emphasis on cost reduction in such a case is clear and intuitively believed. The strategy works because it is followed through completely and integrated throughout the firm. The converse, a value chain based around total customer service, is rather more difficult to identify and yet if a service strategy is to be successful just such an integrated service offering needs to be described and implemented. Such a strategy of course is not suitable for all retailers or for attracting certain market segments.

CUSTOMER SERVICE IN RETAILING

> "We have. . .the new non-speaking shop assistants".
> (Retail advertisement 1902, reported in Adburgham, 1981)

It has been argued above that customer service has for a long time been seen as the service provided by the sales staff. In one sense therefore the "simple" matter of staff training should improve the service levels in a shop. There can be little doubt that for many customers the service they receive from the staff is intuitively equated with all customer service. Equally there can be no qualm about accepting the criticisms of sales staff that appear either as media caricatures (Sharon and Tracy) or in more measured criticisms (Aldred, 1989; Humble and Randall, 1988; Gardner and Sheppard, 1989). In many parts of British retailing the service provided by the sales staff is often wholly unsatisfactory. The question is why this should be so surprising? Retailing has in many cases been de-skilled and casualised (Sparks, 1987). The wages paid to sales staff are generally poor and retailing can be characterised as a low pay sector. In addition to low pay and part-time work, staffing levels are often cut to the bare minimum, either on cost grounds or due to problems of labour attraction. The systems' back-up in terms of product availability and information are often extremely limited. "Higher" management rarely visit the shops and certainly never work in them. Product knowledge is not often encouraged as the emphasis is not on the product *per se* but on the range, availability or even the price. What is certainly apparent is that in most British retailing there is no service *strategy* in place. In some retailers *elements* of service are present, and the staff may be knowledgeable or even in some cases helpful, but these are just component parts of an overall service offering in retailing. British retailing may offer some elements of service, but the overall orientation of much of this retailing cannot be said to be on service.

The second area of confusion is that for many retail companies customer service is equated not only with the sales staff but also with the facilities that are offered to the public. So for example the presence of changing rooms or a cash dispenser are seen as elements of service. Some companies make a great play about the introduction of a play area in some stores for children and equate this with customer service. Others draw the line at toilet facilities. A common customer service function is that of credit account management, goods return and store card payment separated as a bundle of customer services located in its own area. This approach is saying that customer service is the purview of certain staff and functions and have little else to do with the retail offering, store or other staff. For a differentiated service oriented retailer such an approach negates the very point of differentiation. For retailers not emphasising service such an approach gives the aura of caring yet allows the provision of facilities to dominate. If the target market is expecting a total sales offering then ultimately such a retailer will not match their customer expectations.

A common misapprehension of customer service in retailing is therefore that it comprises a set of physical services or facilities. Much of what retailers call customer service is in fact facility provision. It has been claimed that these facilities act as a differentiator amongst outlets. Their presence in a store however allows customers to include or exclude stores from their choice set for shopping. Without such facilities these stores are not considered as a shopping location (Arnold, Capella and Smith, 1983; Walters, 1989). This distinction makes more clear the need for a much sharper view of customer service and its application in retailing.

This problem or difference between facility provision and service provision is nicely illustrated in Table 1 which provides details of the "services" found in UK non-food superstores as described by a trade journal. Whilst the pattern of provision amongst the companies is interesting, it is not the main point at issue here, although it should be noted in passing how easy it would be for any retailer to copy any of these "services". Rather more important here is the list of customer "services" which provides the framework for the analysis in the Table. These provide a broad mix which spans simple products (keys), complicated products (design, timber), human facilities (toilets, play area), retail facilities (credit) to information provision. The question needs to be asked as to whether this list defines customer service or whether it really defines the lack of facilities provided by non-food retail superstores in this country. Given the target markets of the companies some differences should be expected, but the overall picture is one of limited facilities integral to a basic retail offering. Certainly this framework does not "define" customer service possibilities in this market. It is argued here that to call such facilities customer services is to miss entirely the points about what customer service in retailing really means and how a customer service approach should be organised.

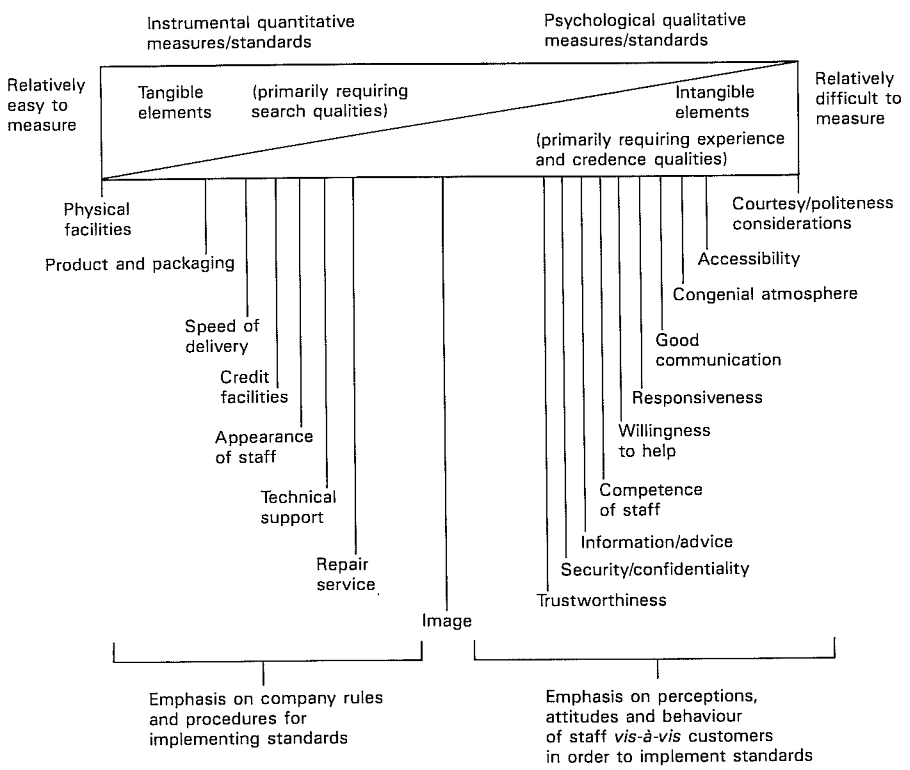
Figure 1 extends the discussion by attempting to provide a taxonomy of customer services. This is taken from an earlier article on customer service and customer care, which appeared in this journal (Carson and Gilmore, 1990). The Figure divides customer care into tangible elements which are relatively easy to measure using instrumental, quantitative measures and standards and which place an emphasis on company rules and procedures and their observance, and intangible elements which are relatively difficult to measure, require psychological, qualitative measures and standards and place an emphasis on perceptions, attitudes and

Table 1
Non-Food Superstore Customer Services

	B&Q	Texas	D-I-A	Payless	Great Mills	Home-base	Wickes	Leekes
Timber cutting	S	S	S	S		A		A
Kitchen/bathroom design	A	A	S		S	S	A	A
Central heating planning	S	A	S	S	S		A	A
Tool hire			S			A	S	A
Credit facilities	A	A	A	A	A		A	A
Snack bar	S	A	S	S	S	S		S
Children's play area		S			S			S
Disabled toilet	S	S	S	S	S	A	A	A
Information desk	A	A	A	A	A	A	A	A
Literature	A	A	A	A	A	A	A	A
Roof rack hire	A	A	A	A	A	A		
Van hire		S		S	A		S	
Delivery	A	A	A	S	A	A	A	A
Key cutting				S		A		A
Glass cutting	S		S	S		A		A

Key: A = All stores
S = Some stores
Source: *DIY Superstore*, June 1989.

Figure 1
Dimensions of Customer Care



Source: Carson and Gilmore, 1990, p. 52.

behaviour of staff. At the one extreme is the provision of physical facilities, whilst at the other is the courtesy and politeness shown by staff to customers. Within this continuum are a host of elements of customer care and service. These elements may be either totally tangible or intangible, measurable quantitatively and/or qualitatively and place varying degrees of reliance on systems, procedures and perceptions and attitudes. The sheer breadth, and in retail practice, complexity, of the elements of customer service in Figure 1 should give pause for thought.

Retailers tend to be good at providing certain types of service rather than across this broad continuum. The provision of excellent physical facilities may be a strong point of a company. However it may be true that the communications or staffing in the store is not so customer-friendly. Alternatively, the retailer may have exceptionally polite and courteous staff in an outlet that does not provide quality technical back-up or credit facilities. Occasionally a number of these elements can co-exist. It also has to be pointed out that the presence of any service does not mean that it is necessarily valued by the customers and that for many retailers too strong a focus on certain service elements would detract from or confuse their main strategy (Walters, 1989). Service has different meanings for different consumers and retailers which further complicates the position.

In general, when considering Figure 1, it should be emphasised that retailers have tended to consider that they are lacking in the intangible elements. They have reacted to this by imposing customer care programmes in a variety of ways (e.g. Carson and Gilmore, 1990; Marchington and Parker, 1990). The success or otherwise of these programmes is open to question. The basic problem is that the service or care message is delivered from "on high" and is seen as the latest management fad. For customer service to be a successful strategy in the long term, the retailer has to be the best in that sector in customer service. Such a position cannot be "taught-in" or imposed but rather must come from a total strategy focused on customer service, implemented across all parts of the company in every activity. Figure 1 is misleading in the sense that there are many more individual elements that make up customer service in retailing. Listing elements is however effectively navel-gazing in that the truly differentiated service firm will not focus on elements but on the opportunity to provide service on all relevant occasions. For example Walters (1989) maintains that a service strategy needs to be built on the target market segments and will involve defining the business in service not product terms, understanding the value and sensitivity of target customers to service offerings, using information technology to capture data to allow service extension and promotion of a total service culture. This complete approach is not easy to introduce and is not a short-term option.

This total service approach can be emphasised in another way. It is common in distribution texts and journals to segment customer service into three phases or categories: pre-transaction, transaction and post-transaction (e.g. Sparks, 1991). This can also be done for customer service in retailing. It must however be realised that in fact the aim in retailing is to ensure the return and retention of the customer. In this way the elements of customer service form a virtuous circle where the retailer is rewarded by the long-term custom of the consumer.

This is explored briefly in Figure 2 which attempts to identify some of the key elements of customer service under these three headings. Under pre-transaction elements it is possible to put together a number of elements of positioning strategy. This might be store positioning in terms of physical location and facilities, but could also cover the positioning of the store in the retail marketplace. Product positioning similarly could include the questions of range, depth as well as price. Staff positioning is more concerned with the level of knowledge of staff, their basic training, as well as the number and types employed. It is common to talk about store and product positioning, but less common to consider positioning in terms of staff, which is a key element of the customer service mix. The final element in this category identified in Figure 2 is information provision.

This could be information about the store, its facilities, products, staff or simple information that conditions consumers about the likely shopping experiences. In many ways these pre-transaction elements are the "qualifying" services identified earlier.

Figure 2
Elements of Customer Service

Pre-transaction
- Store positioning
- Product positioning
- Staff positioning
- Information provision

Transaction
- Sales staff skills
- Product knowledge/handling
- Payment systems
- Data capture

Post-transaction
- Product returns
- Complaint handling
- Customer contact
- Information provision

At the transaction level the process focuses on the sales staff and their skills in selling the product and/or the retail offer. In addition the payment system and the way in which the product is handled are crucial. One of the biggest problems found in surveys about customer service is that customers are often badly put off by the process of paying, generally because of its relative slowness (e.g. Gardner and Sheppard, 1989). This is an example where alterations to the systems may bring wider service rewards than expected. Equally however it requires investment in staff numbers or improved staff scheduling. Finally, the transaction level is really about data capture, whether seen from the store or the customer side. The store is often keen to use the transaction as a means of capturing data about the consumer or about the purchase behaviour. Such data capture can help in positioning terms, and also in post-transaction activities.

The post-transaction activities are generally considered in the form of product returns and complaint handling. Even here however there is evidence that retailers do not take the full opportunity to "engage" the customer. In many stores it is difficult to make complaints and to have them followed up. Research evidence suggests that this is missing a good opportunity to convert customers and to obtain marketing information (Furnell and Westbrook, 1984). Another major element of post-transaction activity is, however, the development and sustaining of continued customer contact, such as through direct mail and store cards. Linked to this is the further information provision that can be given to the customer. The key point is that the information provision at this level is linked to the information provision at the pre-transaction level, so as to begin to develop a virtuous circle of customer contact and relations.

The emphasis in Figure 2 has deliberately been placed on seeing service in both a wide and continuing sense. Service is not something that is switched on by the sales staff just because a customer is standing in the store. Rather, it is a series of practices and behaviour, whether store, product or staff related, that exist continuously to attract and satisfy customers. The emphasis is on long-term horizons and continued performance. Implementation of this takes a long time and is difficult.

CUSTOMER SERVICE IN PRACTICE

"You can't do that!" she barked, "Customers cannot see anybody in Customer Service". (H.H. Kitasei, 1985, reprinted in Mason, Mayer and Ezell, 1988)

The discussion above has developed the argument that customer service is a much more complicated issue than often considered and that it needs to be undertaken throughout a company and on a long-term basis if a company aims to differentiate itself on the basis of service. The problem many retailers suffer from is that by simply focusing on one or two elements of customer service, the service message is diluted and the delivery of service is accordingly badly undertaken. The example in the quote above is repeated on numerous occasions by retailers. Customer service desks are closed or have long queues. Information points and maps are misleading or out-of-date. Customer complaint cards are not available as stated. Staff spend too much time talking to each other. Checkout queues are too long. Products are not wrapped carefully or correctly. Staff treat customers as interruptions. The list could go on, and on.

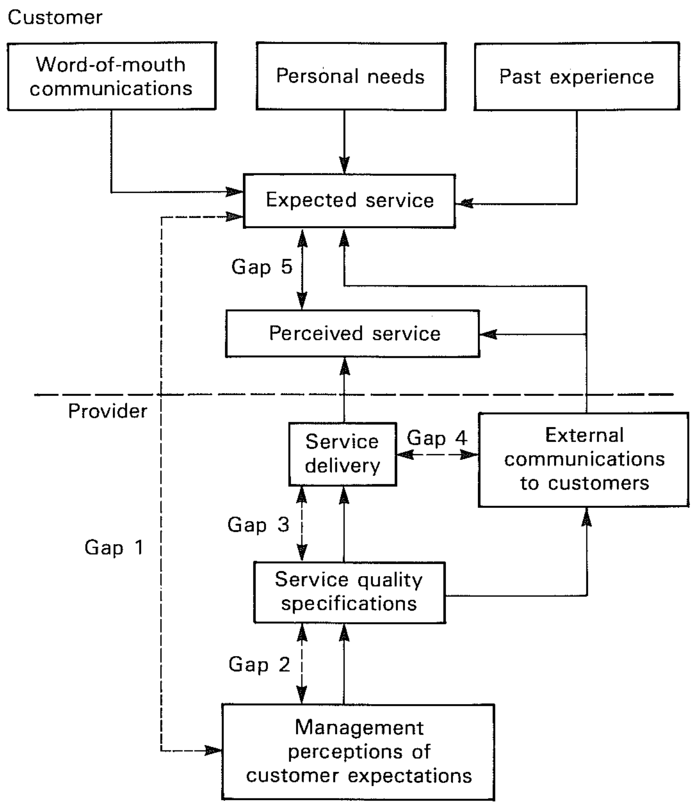
For a company to differentiate itself successfully on the basis of its customer service, it is necessary to provide a total customer service offering and strategy to the consumers. To do this the retailer needs to be proactive about all aspects of service and empower the sales staff to provide the services as they are required. The total service retailer needs to take *all* elements that make up the customer service offering and combine them into the service strategy. The analogy of the value chain is useful here. The elements of the value chain can be combined in a total service strategy by providing service as required at each of the various points of the matrix.

It is recognised that writing the above is somewhat easier than actually putting it into practice. The tub-thumping of people like Tom Peters (Peters, 1988; Peters and Austin, 1985; Peters and Waterman, 1982) amongst others, whilst interesting to read and containing many examples of good practice, does not really help in introducing and maintaining a customer service strategy. More useful perhaps is the material by Zeithaml, *et al.* (1990) which has taken a model of service requirements and demonstrated how to analyse the service problems and thus to know where to correct service deficiencies. This "gaps" model is a worthwhile starting point for considering individual companies and activities (Figure 3). This is not the place to develop a full explanation and consideration of the "gaps" model, but it is clear that it focuses on the way information and service is provided to customers and the way expectations and perceptions are matched by the realities of service. It is only by thinking in these terms that customer service requirements can really be understood and the customer service delivery can act as the basis for differentiation.

A caveat to this approach does have to be entered however. The quality service provision will allow the staff freedom to provide the service according to the needs of individual customers. This can often be difficult for retailers to accept, passing as it does elements of decision making to the "lowest" level of employee. Once this leap is made however the rewarding of staff on the basis of performance becomes appropriate and the emphasis of the business changes from management to customers. Undertaking this process is not easy, and few good examples of this approach exist (Berry, 1988). Perhaps the best documented is Nordstrom, a department store chain with headquarters in Seattle, USA.

Nordstrom have terrified their competitors by the service levels offered and customer loyalty engendered. They have also begun in the 1980s to move away from their north-west base and to open stores along the west coast and recently on the east coast. Nordstrom are a particular

Figure 3
The "Gaps" Model



favourite company of Tom Peters and are also profiled in the Zemke and Schaaf (1989) list of best customer service companies. Whilst many of the stories about the company are undoubtedly apocryphal, there can be no doubting their success with their customers and their attraction for certain types of salespeople. Such is their draw, that the company can pick and choose their sales associates from a selected pool of quality applicants.

This success has been attributed to many things, but it would seem that the real basis for Nordstrom is the overwhelming focus on the customer and the willingness to back and reward staff who put themselves out for their customers. Customer "heroics" are welcomed, valued and celebrated as the pinnacle of salesmanship. The staff in Nordstrom tend to be very sharp, quick and responsive to customer needs. Their attitude is one of giving service but is not servile. There is a pride in their job and their ability to satisfy customers' needs. They are of course rewarded in commission and other terms for their success in selling. The message from Nordstrom is one of total commitment to the customer, focused through the sales staff.

Nordstrom claim that they do nothing very special in customer service terms, but simply put into practice what has been done since the company was founded. Being originally a shoe business they argue that this gives an attitude towards customer and inventory that is different to other retailers. Whether the complete attitude could now be grafted on to an existing retailer is more doubtful. Their customer service approach can be defined in vague terms as a "culture, background, chemistry, philosophy" or in simple terms as a "wild dedication to taking care of the customer". This dedication is generated by a complex reward and commission basis that treats every element of the company as responsible to their customers and rewards them on results. These rewards may be trophies, flowers, money, shares or enhanced discount but are cherished by employees. Such is the culture that even the accountants have customer service targets to achieve! This is reinforced by a management structure of extreme decentralisation and a policy to restrict management hiring to within the business. The pressures are considerable, as is the responsibility, but equally the rewards and flexibility are considerable.

The Nordstrom illustration conveys some of the flavour of the company and their culture. It has been providing this service for a long time. Every sales member has authority to provide whatever service is required. The approach is distinct and successful. Whether other companies can get close to this total dedication to service remains to be seen. To be a truly differentiated retailer on service, such an approach is required. In America when retail service is mentioned, Nordstrom is almost synonymous. A similar exercise in the United Kingdom finds no such retailer.

CONCLUSIONS

> "The shop clerks' attitude is strangely unkind. When customers try to ask them questions, they step back, saying "I'm sorry, but I can't talk to you". Shop rules prohibit clerks from talking to customers, and if they do, they have their pay cut 5 per cent".
>
> "A sign hung on the wall lists the store's "Five No's — explanation, exhibition, exchange, returning, cancelling".
>
> (" 'Step': the store that says 'NO' to customers", *Japan Times Weekly,* 2-8 April 1990, p. 21).

Not all stores require to differentiate themselves on the basis of customer service and not all customers are in a position to demand or pay for service. Any service strategy has to be focused on the target market of the retail format. There is little point adding layers and layers of service and empowering employees to deliver quality service if in fact the customer in this sector is geared to price discounting. In such an instance, any service that is provided is to enable customers to make the most of the price strategy, i.e. little store aesthetics, limited displays, full self-service and so on. As the quotation above demonstrates successful retailing need not have a service focus and could even be anti-service.

Retailers in the 1990s have an opportunity to differentiate themselves on the basis of customer service. This is not appropriate to all retailers and only a few will become the total service leaders. The rewards for the successful will be considerable. The problems in implementing such a strategy are also considerable. The total service offering needs to be considered, not just the narrow focus on service of many existing retailers. All aspects of the company and the retail offering must deliver the appropriate service. Employees must be recruited that are capable of delivering the service, and to be successful long term they need to be rewarded commensurately. The right systems need to be in place. Given the pressures on labour and other costs this approach is not an easy one. The competitive realities of the 1990s suggest that some retailers will be able to prosper by such a total service offering. If they are not indigenous retailers then maybe they will be new entrants from other more service-oriented countries.

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Is There a Market for Teleshopping?

Jonathan Reynolds, Oxford Institute of Retail Management

Abstract

The prospect of shopping from home using new technology has been an enduring feature of anticipatory reviews of a changing retail sector. Many of the early experiments, however, either failed completely or fell short of their stated objectives. This paper examines the range of teleshopping and teleservice operations that commenced in the 1980s, exploring both their similarities and differences as well as the varying degree of their technological sophistication. Future changes in consumer attitudes and expectations are considered and the implications for teleshopping services evaluated. It is argued that, by providing a means of further extending consumer choice, opportunities for profitable teleshopping operations will appear in the decade ahead.

No self-respecting review of *Retailing in the 1990s* would be complete without a contribution which anticipates the ways in which technology will transform consumers' shopping activity. In practice, this could have been said of reviews of the 1980s, 1970s and probably 1960s as well, ranging from the wildly optimistic:

> We see as a virtual certainty that the era of widespread telecommunication shopping is approaching.
>
> (Rosenberg and Hirschman, 1980)

to the rather more circumspect:

> A recent report. . . has suggested that widespread use of teleshopping systems cannot be expected before the end of the decade.
>
> (*The Grocer*, 1983)

On what grounds were these speculations based? Much of the research conducted on the likely future success of teleshopping and teleservice initiatives has been partial and disappointing. Of the many reasons for this, two in particular stand out. The most important is the reluctance to consider the extent and diversity of potential routes to the provision of remote shopping and service operations. Much research focuses upon the merits or demerits of one service delivery technology, or one product range, or one target consumer group. The reality is that the provision of teleshopping delivery channels is as potentially diverse as conventional retailing or service activity.

The second, commonly-made, assumption is that in some unspecified way, teleshopping will somehow *replace* conventional means of fulfilling consumers' wants and needs.

> The widespread diffusion of teleshopping will not be secured until either the majority of the population demonstrate a dislike for traditional store-shopping, or until teleshopping is improved well beyond its present system, to gain a major relative advantage for specialised segments of the population.
>
> (McKay and Fletcher, 1988)

This is of course most unlikely. The inertia both of existing investments in conventional shopping provision and in consumer behaviour put such penetration levels well beyond even the longest term planning of commercial organisations. To suggest, for example, that the UK's spate of regional out-of-town shopping centres could not have been built until "the majority of the population" demonstrated an interest in shopping in such places would clearly be to misunderstand the speculative nature of the retail development market over the last ten years in the UK. The reality is that, in some small way, one — or a small number — of alternative distribution channels will be enabled, probably before the end of the century, which will *complement* and incrementally augment conventional channels of distribution.

However, the trick lies, as ever, in identifying likely operators, markets and timescales for this process.

> Now you can have your favourite stores under one roof. Welcome to Telaction. Shopping at the speed of life.
>
> (Telaction system publicity, USA, 1989)

Telaction to close April 7; Penney claims £106mn investment.
(*Electronic Shopping News*, 1989)

Just because the service delivery mechanism is technologically-oriented more often than not is no reason at all to replace sound market potential analysis and investment appraisal with hype and speculation. What evidence of success is apparent from international experience suggests that effective market-led strategies are much more likely to succeed than technology-led approaches. The purpose of this contribution is not, therefore, to anticipate a *brave new world* of micro-electronic consumerism. More, it focuses upon the likely realistic levels and characteristics of demand for teleshopping services.

The article is divided into two parts. The first summarily reviews levels of take-up, attitudes, expectations and behaviour on the part of the consumer of current operations. It also tries to distinguish from the perspective of the person-machine interface (PMI) those technical characteristics of systems which most appeal to consumers. The second part looks forward to likely changes in consumers' attitudes and expectations which might be expected to have implications for the future development of teleshopping and teleservices in the longer term. These include macro-economic, social and the effects of technical change. In this part also appears a short review of some of the existing quantitative survey work dealing with consumers' specific anticipatory attitudes towards "teleshopping". Whilst many of the observations made in the second part of the article are derived from analysis of the UK marketplace, it is suggested that many of the trends discussed may be usefully related to experience in other Northern European and perhaps North American countries.

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CONSUMER DEMAND: PAST EXPERIENCES AND PREFERENCES

The evidence which has emerged over the last ten years with regard to consumers' preferences and expectations of teleshopping systems is very applications-specific. As a first step, we review below three case studies which reflect the diversity of international experience.

Hard Lessons in the UK

Teleshopping through videotex has had a chequered history in the UK. Rather than rehearse the well-known arguments attached to the success or failure of individual schemes and initiatives (see Davies and Reynolds, 1988, for example), the specific lessons learned with regard to the consumer can be summarised. Seven prerequisites are identified which appear to be highly regarded by consumers (which, it has to be said, are derived from their absence rather than presence in many operations). They fall into product-related and system-related categories, but both categories are ultimately linked to the relative advantage they offer compared to conventional shopping activity.

Product-related

- *Speed of home delivery.* One of the areas where there is clearly an opportunity to outstrip conventional competition is in the speed with which essential or non-essential items can be delivered to the home. "Queueing" is the one aspect of food shopping detested by most consumers (Mintel, 1989). Most surveys of past systems showed that between half and two-thirds of consumers saw home delivery as the chief competitive advantage of non-store shopping systems. These are expensive to offer, however OXIRM research estimates a 40 per cent increase in distribution cost as a consequence of reducing delivery lead times from seven days to three days (OXIRM, 1988).
- *Quality*. The importance attached to quality is inextricably linked to the issue of speed of delivery. One of the most critical

difficulties of the UK's Telecard Supershop operation was providing a sufficiently high quality of merchandise (especially in fresh foods — meat and vegetables) to its discriminating London ABC1 target market. Compensatory bottles of champagne and flowers are no substitute for quality products and do not serve to make up for the loss of trust by consumers in the service's reputation. Related to this is the issue of branding. Lack of the means to see, feel and visually assess the product is the major perceived weakness of non-store retailing systems. Mail order shoppers' main complaint is that "Things are never as good as they look in the catalogue". Brand strength (both in terms of products and suppliers) is therefore a critical success factor for any teleservice. A service with an Asda or Gateway as its food supplier is less likely to attract the kind of loyal customer base at present than would a Sainsbury or a Marks & Spencer or a Waitrose.

- *Up-to-dateness.* Suppliers must keep both product information and pricing up-to-date. In the case of the UK's pioneering Club 403 scheme, Carrefour's price and product changes were not significant for the retailer, but consumers found changes in price on items upon delivery infuriating. The enthusiasm and loyalty of key customers were badly affected.
- *Returns.* Another of the biggest perceived problems amongst current mail order customers is the question of returns. In an ideal world and with a perfect delivery system, returns would be unnecessary. In the real world, returns need to be dealt with promptly and efficiently. Indeed, the whole process of dealing with the consumer has to be handled with much greater care than in a conventional shopping operation. The only "interfaces" between the company and the customer are over the phone (or through the equipment) and at the front door. These are the only places where competitive advantage can be personally delivered.

System-related

- *Ease of use.* The "spaghetti in the lounge" syndrome was commented on in the Club 403 consumer research as being one of the more irritating aspects of the service. A respondent in one focus group exercise was more explicit — "Toys for Boys" (Questel, 1989). There is a fundamental mismatch between the target markets for new technology solutions to non-store retailing and the attractiveness of these solutions to the largest groups in the marketplace. "I mean how long would you be sat at the telly, with the phone in your hand, going up and down an aisle at an Asda supermarket?" (Questel qualitative research, 1989). Future solutions will need to address these dilemmas in much the same way as designers of such appliances as washing machines and microwave ovens.
- *Reliability.* The early UK experiments with videotex involved large and expensive converted television sets. They were unreliable and prone to overheating. With the fall in scale and cost of IT, the kinds of terminal that are now being produced (such as for Keyline, for example) are the size of a paperback book. Nevertheless, the issue of reliability still concerns a public inured to service call-outs for cars, televisions and the central heating. Keyline's solution is to create a disposable package. If the terminal goes wrong it can be thrown away.
- *Costs incurred.* Finally, the overall costs incurred in running a system in-house should not be disregarded. Once again, if non-store systems are to demonstrate relative advantages over conventional shopping activity, perceived costs incurred by the consumer must be minimised. The cost structure of entry to Club

403 was difficult to negotiate or understand. There were many different types of cost associated with a subscription. Unsurprisingly, faced with such a complex charging structure compared to the perceived costs of a traditional shopping trip (which are not properly appreciated) many in the Birmingham area baulked at subscribing.

In summary, if the system offered is a composite one, which marries together the skills, expertise and product ranges of a variety of goods and information providers, the evidence from the UK suggests that it must be one of the responsibilities of the system management to exercise control over such issues as quality of service and information provided. The Keyline proposals will place the Keyline holding company in this role.

La grande aventure du Minitel

We are all familiar, at least anecdotally, with the phenomenal success achieved in France through the Télétel programme. Here, at least, is the "critical mass" of home teleservice users required to understand the characteristics of the marketplace. Recent research findings have indeed provided some interesting perspectives on Minitel users in France. Regular users had become:

- more sophisticated in their use of the system, through more efficient use of terminals and connect-time;
- more purposeful in their seeking out of more serious applications;
- more sensitised towards the potential usage of the terminals for transactions; yet
- more demanding in their expectations of the system both in terms of quality and pricing.

These quality and price expectations of consumers have continued to become more stringent, alongside a growing efficiency in the use of the system. The technical capability for calling up, on screen, a running total of on-line charges has proved a considerable success with users. One consequence has been that whilst the popular "kiosque" operation increased the number of services by over 1,300 between December 1988 and December 1989, the number of connect-hours on the system fell by nearly 25 per cent over the same period (LSA, 1989).

The French *supers à domicile* (electronic supermarkets), based predominantly in the Ile de France region, have been at the forefront in the use of videotex technology for the ordering and delivering of grocery and convenience goods products. La Voix Express has been the most successful of the operators. Nevertheless, Minitel orders accounted only for 30 per cent of its orders in mid-1989. Seventy per cent of orders continue to be placed by a *numéro vert* (0800 number). Minitel ordering was expected to constitute some 45 per cent of orders by mid-1990. The pricing level of a 5,000+ product range is equivalent to that prevailing in small supermarkets, but is more expensive than in the *grandes surfaces* (unpublished OXIRM research, 1989).

These companies originally targeted a customer base consisting of people open to the use of technology and belonging to households with children within socio-economic groups which would permit them effectively to "buy" additional leisure time through the use of the teleshopping distribution channel. They appear to have been largely successful in matching these requirements in the marketplace. The following three tables summarise consumers' characteristics.

Table 1
***Supers à domicile* – Selected customer profile**

Household type	Per cent
Female	79
Male	21
Age: <30 years	20
30-49 years	60
>50 years	20
Managerial/senior professionals hh	57
Intermediate occupations hh	24
Households of 3+ persons	57

Source: LSA, 1989

Note: Some of these figures contradict the findings of detailed UK surveys of anticipated usage. Part of the mismatch may be explained by the wider dissemination of Minitel terminals across broader age groups, and the differential take up of services because of greater public awareness of the technology.

Table 2
Use of *supers à domicile*

Frequency	Per cent
Not since the first time	20
Rarely	18
Once a month	37
Every week	25

Base: Those who have ever purchased.

Source: LSA, 1989

Note: The latter group (weekly shoppers) are predominantly single people, together with some older people who are buying more systematically. For older people generally, usage is much more polarised. They either use it a lot and like it, or they don't use the *supers* at all.

Table 3
What is your main reason for using the *supers*?

Reason	Per cent
Home delivery	60
Speed	43
Simplicity	23
24-hour availability	17
Practicality	8
Price	5
Weight (of conventional means!)	5
Novelty	3
Pleasure	2

Source: LSA, 1989.

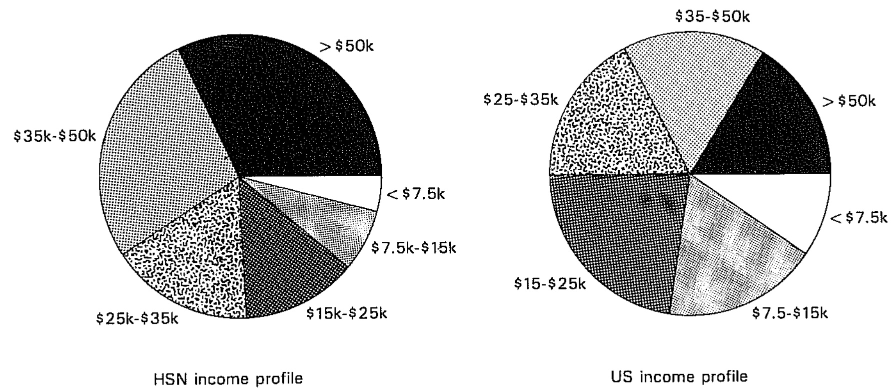
The US Home Shopping Networks

The final broad type of "home shopping" activity for which consumer research exists is that on the US home shopping show phenomenon. These are very different animals from the videotex-based systems; we might expect correspondingly different consumer characteristics. Home shopping shows exist in Europe (especially in France) but are of too small a scale to be representative. This charge could not be levelled at US home shopping, which last year achieved a greater than $3.5bn turnover (although this was less than 1 per cent of US retail turnover of over $3.6 trillion). Research conducted by the home shopping operators themselves as well as by commentators indicate that the shopping shows occupy a very particular niche (HSN, 1987; Meretrends, 1987). Most significantly there is a close correlation with high propensity to consume through mail order: 45 per cent of regular TV home shopping customers shopped by catalogue every three-four months.

The typical demographic profile of the TV shopper in late 1988 was of a college-educated 25-44 year-old female. They tended to be younger than general merchandise shoppers (those who frequented Sears, Penneys or K-Mart) and had an annual average household income of some $40,500, according to Meretrends. Figure 1 shows Home Shopping Network's own comparison of median income distribution in the US compared to the HSN *viewer* average in 1987.

Home shopping show viewers and shoppers did not tend to be fashion-conscious (only one-fifth kept up-to-date on fashion trends in the Meretrends survey) and tended to be very value conscious. (Nearly 60 per cent preferred to shop at many different comparison goods stores in order to "get the best value".) When asked what their main reason was for watching TV home shopping shows, 52 per cent of respondents in the Meretrends survey said they watched "in order to find a bargain"; the only other significant reasons mentioned for watching TV shopping shows was "for entertainment".

Figure 1
HSN Customer Profile: Income Comparison with US Averages



Data for 1988
Thousands of US dollars p.a.
Source: Home Shopping Network Inc.

Both the Meretrends research and the work done by HSN's own consultants confirm that the home shopping show shopper is a very different animal from those traditionally thought of as target markets for teleshopping: the time-poor ABC1 single person or married working couple. These findings reinforce the caution with which "anticipatory" surveys should be interpreted, given the growing perception of TV home shopping as being synonymous with teleshopping in the UK.

CONSUMER DEMAND: FUTURE CHANGES IN ATTITUDES AND EXPECTATIONS

If we are to understand the likely take-up of teleshopping services in the future it becomes important to determine changes in the characteristics of consumer demand which will facilitate and those which will obstruct the development of new distribution channels. There are three broad sets of influences upon demand: macro-economic change, social and technical change. We consider the effects of each of them below.

Macro-economic Factors

It is very clear that both the UK and US (amongst Western economies) have entered a period of considerable uncertainty with regard to the domestic economy. The UK Government's concerns over high levels of inflation and the possibility of "overheating" has caused the introduction of very broad fiscal measures designed to curb growth in consumer spending and reduce the dependence of UK consumers upon credit facilities. Amongst early sectors to be hit were those sectors retailing large ticket items which were closely related to the home: DIY, furniture and home furnishings and the brown and white goods sectors. (Lack of product innovation is also blamed for a downturn in the sales of brown and white goods.) The macro-economic climate is not therefore conducive in the short term to the purchase of a major new home appliance. This is particularly the case if the likely investment is to be a large one. Even if a home shopping terminal were to be freely given, the likelihood is that the kinds of premium services on offer would not be in harmony with value-seeking consumers.

Countering this negative influence may well be trends in the UK labour force. On the basis that research into existing high technology home shopping solutions shows ready adoption by ABC1 time-poor households, any increase in the numbers of working women would increase the pressure on already stressed time budgets. Government forecasts currently suggest that because of shortfalls in other components of the labour market, some 75 per cent of women over 16 will be in paid employment by the end of the century, compared with a 1985 figure of 60 per cent — an increase of some 750,000.

Social and Behavioural Factors

> I like to see what I'm buying. I hate shopping for food and other boring things, but I actually enjoy shopping for clothes, especially if I've got some money to spend.
> (Questel qualitative research, 1989)

Underlying the macro-economic trends discussed above are likely shifts in the attitudes and expectations of individual consumers over the next decade. We have already witnessed in the last ten years changes in society which confirm the completion of a longer-term shift from production-led to consumption-led values.

> Retail. . . has, in an important sense, become the defining motif of the decade — an approach, an ideology almost, permeating the culture. . . Someone once described retailing as "an atrium over Thatcher's Britain".
> (Gardner and Sheppard, 1989)

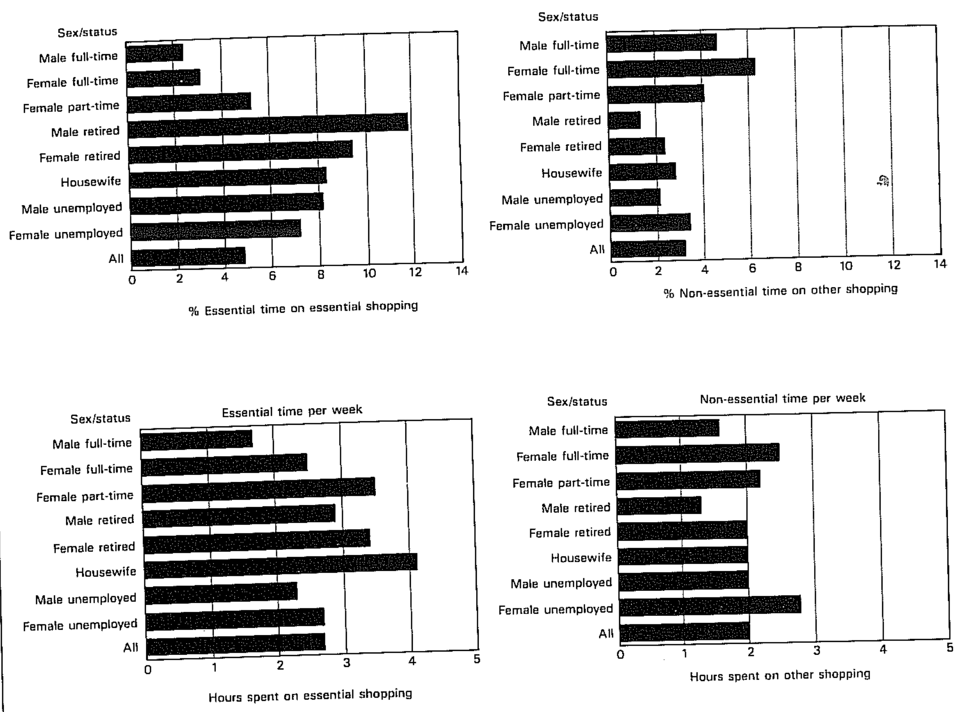
This article does not extend to detailed consideration of so broad a canvas. Yet we may ask whether such trends will continue, or will they reverse?

> I believe that by the end of the century America will be the world's granary. Asia will be the workshop and Europe will be the playground, which means service, which means retailing. Unless we understand this we will be left behind.
> (Anita Roddick, Founder, *The Body Shop*)

Such expectations may be extreme. But we should not forget that the author of these remarks runs a business which topped the Business Top 500 ranking once again in 1990. Conventional retailing has also polarised, with much of the business chasing more affluent, secure ABC1 households, whilst a profitable rump of operators (including companies such as Kwik-Save in the UK) target the residual, value-for-money oriented households.

One consequence is that the shopping time budgets of different groups within society vary enormously, as Figure 2 shows. However, it becomes

Figure 2
Time Budgets by Sex and Status



important to distinguish between essential and non-essential shopping trips. The proportion of time spent in essential shopping (such as for food) is inversely correlated with work commitments, whilst the proportion of time spent on non-essential shopping is more closely correlated with ability to spend, with the reservation that females of whatever status tend to spend more absolute time per week in both essential and non-essential shopping activity than men (Henley Centre for Forecasting, 1990).

Within this context for change, it is suggested that four key lifestyle trends within western economies can be detected which are directly relevant to prospective levels of adoption of unconventional distribution channels for goods and services.

- *The social goals of conventional shopping activity.* The distinction between essential and non-essential shopping above leads us on to the notion that most forms of conventional shopping activity continue to offer a degree of social value above and beyond their absolute economic value to the household. For some groups in society, such as the elderly and young single parents, food shopping is seen as a means of keeping in touch with friends and with the community. For the vast majority, however, shopping for essentials is seen as something of a drudge. "...I hate shopping for food and other boring things..." (Questel qualitative research, 1989) Conversely, non-essential shopping (for clothing, example) is seen as a pleasurable experience. "...but I actually enjoy shopping for clothes, especially if I've got some money to spend." (Questel qualitative research, 1989).

  Table 4 quantifies the pleasure factors in non-essential shopping. Fully one fifth of the respondents to this survey shopped for pleasure. They were predominantly young, female and in ABC1 social classes. The relative advantage of teleshopping is unlikely to compete with this pleasure-seeking activity. Rather, it must assist in releasing more time for such activity, or in improving the quality of the shopping trip through, for example, providing better information.

Table 4
Respondents who "Shop for Pleasure"

Type	Per cent
All	21
Men	14
Women	27
15-19	31
20-24	24
25-34	22
35-44	18
45-54	21
55-64	20
65+	14
AB	29
C1	21
C2	19

Source: Mintel, 1988

- *The growth in "homecentredness".* The home will continue to be a central focus of people's lives over the next decade, and will continue to fulfil a role as a centre for leisure activity. In the UK, for example, 65 per cent of households now own their own homes, 25 per cent outright. Commentators on changing lifestyles have detected a growing "homecentredness" in western economies which partly reflects a dissatisfaction with other sources of leisure. Consequently, innovations which operate from the home (rather than from intermediate points between homes and destinations) and which emphasise household control over aspects of everyday life are likely to be well received by consumers.

- *The growth of individualism*. However, the homes in question may not necessarily be those of the archetypical nuclear family; indeed are becoming less so. Twenty-five per cent of households in the UK now consist of single people. Twenty-seven per cent of households consist of married couples with no children. The consequences of this for per capita spending are significant, as are the effects on time available for the conventional shopping trip. This physical manifestation of social change is also reflected in the growth of individualism as a means of providing greater personal control. There is a need to be different and distinctive which has less to do with "keeping up with the Jones's" and more to do with "keeping away from the Jones's". These differentiating tendencies are set to continue into the 1990s.

- *The increasing complexity of the purchase decision*. The purchase decision, be it in food or non-food, is becoming steadily more difficult and involved for the more aware consumer. This is a direct consequence of taking into account non-price factors in buying goods and services. These may involve considerations of health and safety, of environmental issues, or of fashion and style. The whole movement towards care for the environment brings with it an overwhelming amount of information which needs to be assessed and prioritised by the consumer. The need for more information is one which teleshopping has the capability of satisfying.

Technical Change

The effects of technical change can be assessed at two levels. The first is attitudinal:

> She can't set the alarm either and you can't get much more basic than that: it is a digital alarm clock. Electrical things and numbers flashing, it just loses her completely.
> (Questel qualitative research, 1989)

The idea that individuals may have an unfounded fear or suspicion of new technology may seem outdated; it is nevertheless bound to affect likely future take-up of those new order and delivery systems which make use of unfamiliar principles. There are sufficient parallels to indicate that such technical innovations diffuse gradually through society. The introduction of STD telephones, self-service petrol pumps and ATMs were all beset with an initial degree of user uncertainty. In all these cases, a conventional alternative was available to the reluctant user (postal communication, choice of a petrol station with attended service or service from a human teller). The benefits of the newer, more automated solution have eventually outweighed the costs of the *old* system (largely for reasons of cultural change as much as for reasons of speed and reliability) for all but the most resistant users (Blaut, 1977).

The second consideration in technical change is the propensity for the consumer to own the kind of equipment which will permit the access to certain types of remote shopping services already. Table 5 indicates current levels of ownership of selected equipment in the UK. What trends can be detected in the penetration of these items in the forseeable future?

Table 5
Penetration of selected equipment, UK 1989

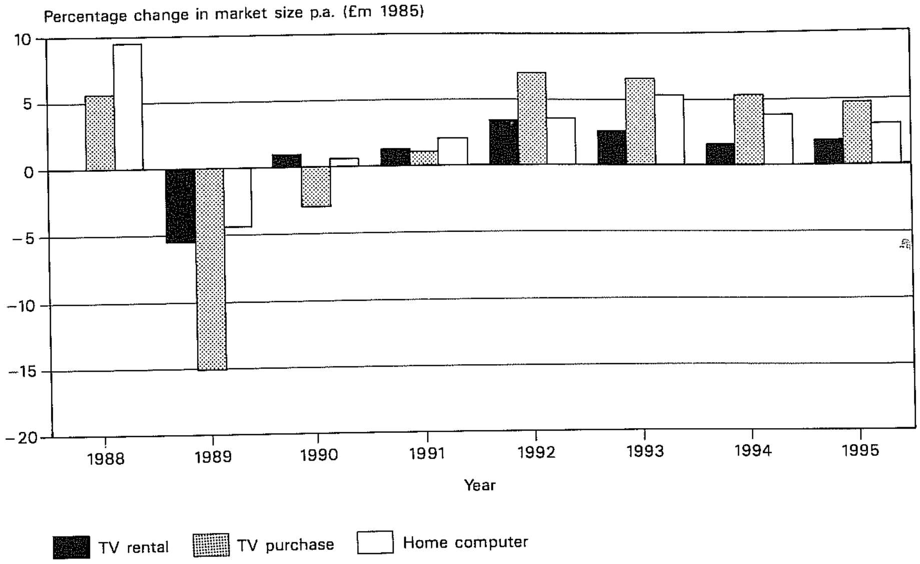
Item	Per cent households
Telephone	84
Colour television	90
Two or more sets	35
Teletext	19
Video recorder	42
Home computer	28

Sources: CSO, Home Office, Gallup

Figure 3 shows the Henley Centre's current forecasts for the adoption of key technologies to 1995. The colour television market has been relatively static for several years, with the incremental developments in FST technology and NICAM stereo only now beginning to have an effect on the marketplace. The purchase of a smaller second set has been the most significant trend in the past five years. The market is unlikely to see real revitalisation until 1992/93 when developments in high definition TV and wide screen television become commercially practicable. This is clearly relevant in terms of the timing of complementary technology capable of offering home-based interactive services.

Computer usage is close to "saturation" level, in terms of current numbers of households having access to machines in the UK, although the definition of a computer for survey purposes usually includes small and dedicated games machines and word processors. There is a significant male bias in usage, but a surprisingly even spread of penetration by age and social class, according to Gallup's 1988 survey. The growth in the market to 1995 is likely to consist of the replacement and upgrading of existing machines. The absolute penetration is believed unlikely to increase, but the average power and capability of the machine population will increase.

Figure 3
Adoption of Key Technologies. Market growth 1988-1995



Source: Henley Centre for Forecasting

Quantified Attitudes towards Remote Shopping Services

There have been several attempts to quantify attitudes towards home shopping and services. One of the more interesting recent surveys is that carried out by consultancy company Schlackmans for the Keyline Club. Tables 6 and 7 examine initial reactions to the Keyline service and the different degree of interest in types of service available. Respondents were shown the Keyline terminal but were not given a demonstration of the test programme.

Table 6
Reactions to Keyline service

Type	Mean	5	4	3	2	1	n
		%	%	%	%	%	
Total	2.8	7	16	41	21	14	437
Men	2.9	7	15	48	22	7	213
Women	2.7	7	17	35	20	21	224
AB	2.7	6	15	35	23	19	124
C1	2.9	6	17	44	23	11	133
C2	2.8	4	21	41	19	15	117
DE	3.0	14	8	49	16	13	63
16-24	3.2	9	23	49	16	2	97
25-34	2.9	7	16	44	21	11	96
35-44	2.9	5	17	46	21	11	111
45-54	2.6	9	9	41	16	25	56
55+	2.3	4	13	22	30	31	77

Note: 5 — Extremely interested
4 — Very interested
3 — Fairly interested
2 — Not very interested
1 — Not at all interested

Source: Schlackmans, 1988

Two points should be noted in interpreting the tables. The analysis falls into the common trap of unequally dividing categories of interest. The tables contain three positive expressions of interest, against, only two negative. Secondly, ABs and C1s are over-represented in terms of their

Table 7
Degree of Interest in Different Keyline services

Level of interest	Shopping	Banking	Information
	%	%	%
Extremely interested	6	7	10
Very interested	22	27	32
Fairly interested	33	31	37
Not very interested	25	20	14
Not at all interested	14	15	7
Mean score	2.8	2.9	3.2

Source: Schlackmans, 1988

distribution within the country as a whole, whilst C2s and DEs are under-represented. The Schlackmans' research also asked about likelihood of applying for the service, based upon a £25 fee. Despite adding a further two response categories ("No Preference" and "Fairly Unlikely"), there was no appreciable difference in mean score, although a shift from "Very Likely" to "Extremely Likely" was balanced by shifts from "Fairly Likely" into the two new categories.

Despite the mismatch with national distributions of social class, the Tables reveal more interest in the Keyline terminal from the lower socio-economic groups than might have been intuitively expected. Only in the DE category and in the 16-24 age groups does the mean score creep into the "Fairly interested" category. Nevertheless, a 7 per cent penetration of total households (those total respondents who were "Extremely interested") carries with it the equivalent of £2.2 bn of the £31.6bn UK grocery market in 1989: or the equivalent of half the turnover of a company the size of Tesco.

CONCLUSION

Many consumers see teleshopping as an inevitable development. This does not mean that they are ready to welcome it with open arms. This article has attempted to show both how consumers from UK and around the world have received non-store retailing systems of this kind and how changing lifestyles in the UK during the next decade may facilitate the introduction of alternative distribution channels, as a means of offering greater choice to the more complex and sophisticated — but still time-poor — consumer.

Fundamental social changes arising out of the incremental adoption of teleshopping and teleservices are unlikely to take place in the 1990s. Certainly, criticisms are still likely to be levelled at the operations which are developed, that they will serve to deprive individuals and households of a measure of social interaction. Operators will need to exercise care in the ways in which services are marketed to consumers. However, the role of teleshopping in the next ten to fifteen years is likely to be one of a range of facilitating factors which further extend the choice of consumers in the marketplace. Commentators are agreed that greater "consumer power" will be a phenomenon of retailing in the next decade. Control over shopping opportunities exercised from the home will be potentially attractive features of non-store retailing systems.

Derived from this analysis of the marketplace are four key opportunities for teleshopping systems in the UK into the next century. In summary, they are:

- The opportunity to make shopping for essential goods easier (by substituting home-based ordering and delivery of "distress items" and countering the disliked aspects of essential shopping activity).

- The opportunity to improve the quality of the non-essential shopping trip (by providing additional choice within the home).
- The opportunity to facilitate transfer of time from essential to non-essential shopping activity (by releasing hours spent in essential shopping).
- The opportunity to inform the buying decision better (by providing objective analysis and interpretation of the current buying environment, in addition to product and price information for conventional and non-conventional purchase decisions).

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Retail Location Theory: Retrospect and Prospect

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Abstract

It has often been said that the three most important properties of a retail store are location, location and location. This paper explores the recent, dramatic changes that have taken place in the technology, methodology and, most importantly, the practice of locational decision taking. Despite these advances, however, the study of retail location has been characterised by conceptual stasis of late and it is argued that, as locational decisions are ultimately determined by the prevailing conceptual framework, novel theoretical insights are necessary. In particular, a more catholic typology of locations is required, as is a dynamic model of locational change.

INTRODUCTION

When the anthology of retailing aphorisms comes to be compiled, pride of place will doubtless be occupied by "the customer is always right", "the only constant in retailing is change" and "you don't have to be mad to work here, but it helps". Equally prominent in the pantheon of apophthegms, however, is that old and much recycled chestnut, "the three most important properties of a retail store are location, location and location". Indeed, with the possible exceptions of "lifestyle segmentation", "niche strategy" and "design led", few phrases are more redolent of retailing in the decade just passed.

If, of course, our manual of retailing maxims ever managed to be published, many would maintain that it ought to be stocked in the fiction, or possibly the horror, section of most bookstores. Just as retailing has long been renowned for slipshod customer service (Sparks, this volume) and a reluctance to respond to change (Brown, 1990), so too it has traditionally been characterised by a cavalier approach to the locational decision (the mental well-being of the retailing fraternity is perhaps best overlooked on this occasion!). Until comparatively recently, many if not most locations were chosen on the basis of gut-feel, obscure rules of thumb or, if it was a really important decision, by means of licking a finger and holding it up to the wind.

Kornblau (1968), for example, once described three particularly common store location strategies: the "numbers" racket (we must have *X* stores this year); the "flutter" system (drive around and select the location where one's heart flutters); and the ever popular — and self-explanatory — "Russian roulette". More recently, Rogers (1987) has reported a variety of refined site screening procedures including, "which director shouts the loudest", "is Hartlepool as nice as Wilmslow?" and "is the rent asked above our usual percentage norm?"

ADVANCES IN THE 1980s

Notwithstanding the apocryphal tales of retailers' uncanny ability to select successful sites as a result of "sniffing the air" in the vicinity, the 1980s in some respects have seen the demise of the prescient approach to locational decision taking. Although a sophisticated tool kit of assessment techniques has long been available (Davies, 1977), it is only comparatively recently that UK retailers have exhibited a widespread willingness to embrace such procedures (Simpkin *et al.*, 1985). The transformation of retailers' attitudes, however, has been nothing if not dramatic. So much so, that one commentator was moved to describe the 1980s as a "golden age for store location and market analysis" (Wrigley, 1988, p. 30) and others have alluded to the "revolutionary change" in retailers' locational thinking (Breheny, 1988, p. 39).

Albeit confined, at present, to a small number of large retailing organisations (Humby, 1988), this latterday locational revolution is a consequence of several significant changes in retailers' operational milieux, technological capability and management philosophy. In the first instance, it stems from a veritable explosion in the number of locational options available to decision makers. As Parker (this volume) points out, a much wider variety of locations are now being exploited, ranging from traditional town centres and mega-scale suburban shopping complexes, to isolated industrial estates and the forecourts of petrol stations. Given this diversity, retailers have to weigh their locational decisions more carefully than ever before and whereas time-honoured rules of thumb, such as, "as close as possible to Marks & Spencer", may have sufficed in the past, they are much less dependable than hitherto.

A second and closely related factor is the ever increasing costs, both financial and perceptual, of failure (Breheny, 1988). The rapid growth of large scale retailing formats, most notably the hypermarket, superstore and non-food retail warehouse, the very substantial capital investment that these forms of retailing represent, and, not least, the rising expectations of shareholders and the financial community, have all contributed to retailers' reluctance to rely solely upon the intuitive locational practices of yesteryear. If anything, indeed, this state of affairs has been compounded by the recent, dramatic downturn in UK retail sales. In times of growth and prosperity, locational mistakes can be disregarded to a certain extent, but in a harsher economic climate, badly located stores are a luxury very few retailers can afford.

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The third, and by far the most frequently discussed cause of this locational revolution is the "rise of the data men", as McGoldrick (1990) aptly describes it. Thanks to the virtual ubiquity of powerful, low cost computing facilities, a wide variety of computerised databases and analytical techniques are now available (see for example Rogers, 1987; Beaumont, 1988; Penny and Broom, 1988; Sleight and Leventhal, 1989). Whether developed in-house or purchased from specialist providers like Pinpoint and CACI, these databases typically comprise a geographically organised (geocoded) amalgam of information from the small area population census statistics, electoral registers, the postcodes file and, increasingly, large-scale bespoke surveys of shopper behaviour (Reynolds, 1990). They thus provide a rapid, low cost means of assessing, profiling and comparing market opportunities, screening potential sites and defining catchment areas. The information, furthermore, can be incorporated into the new, user friendly generation of store location models, such as SLAM, which facilitate comprehensive evaluation of both present and prospective retail outlets (Simpkin, 1989; 1990; Curry and Moutinho, 1990).

Of all the changes underpinning the recent transformation in locational practices, however, the most far-reaching, if rarely enunciated, is the growing professionalism and marketing orientation of retail management. Long considered to be occasionally brilliant, but basically subservient and small-scale participants in the channels of distribution, modern retail organisations rank among the largest, most sophisticated and dominant business organisations in the British Isles (and far beyond). Although slow to adopt the marketing concept, retailers — if the plaudits of the industry are any indication — now lead the way in UK marketing practice (see McGoldrick, 1990). Inevitably, therefore, this commitment to the marketing philosophy has stimulated a heightened awareness of the importance of the locational decision in the formulation and implementation of effective marketing strategies. As Ghosh and McLafferty (1987, p. 1) rightly point out, "the store location decision is not merely the question of choosing sites. It. . . involves the juxtaposition of the spatial characteristics of a market with the overall corporate and marketing goals of the firm."

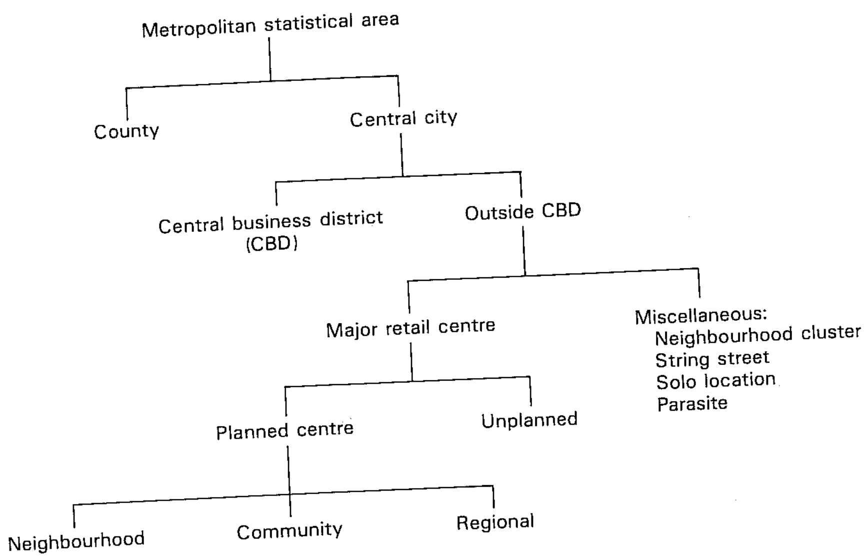
CONCEPTUAL STASIS

Just as the 1980s witnessed the abandonment, albeit partial, of the intuitive approach to locational decision taking, so too the decade was characterised by a debate about the conceptual basis of retail location (see for example, Dawson and Kirby, 1980; Potter, 1982; Davies, 1984; Dawson and Sparks, 1986). As with most academic altercations, this discussion was conducted in a suitably low key fashion and ultimately proved inconclusive. The dispute, nonetheless, had practical implications for retail organisations, though understandably few became directly involved or lost any (metaphorical) sleep over these theoretical entanglements between the reactionaries and revolutionaries of retail locational thought.

The Traditional Framework

Celebrated and condemned in almost equal measure, the cornerstone of the traditional framework has long been the so-called "hierarchical" model (Figure 1). Dating from the early 1930s, and a stalwart of most introductory marketing and retailing textbooks, the model predicts a stepped gradation of shopping areas each with its distinctive mix of retailing outlets. At the urban scale of analysis, this comprises numerous small, neighbourhood shopping parades selling low order, convenience goods to a local catchment area and a limited number of large, regional scale shopping districts retailing high order, comparison goods to a citywide catchment (and most lower order merchandise as well).

Figure 1
The Traditional Hierarchical Model



Casual observation suggests that the basic hierarchical model has considerable empirical merit — most western cities do indeed contain many small neighbourhood shopping districts and comparatively few large-scale retailing agglomerations, principally the city centre. However, as many commentators have made clear, the hierarchical framework does not provide a complete picture of the spatial pattern of urban retailing (see Potter, 1982; Jones and Simmons, 1987). This gave rise to a variety of modifications, the most celebrated of which was Berry's (1963, 1988) model of urban retail locations. Based upon an extensive survey of retailing in Chicago and several other cities, this much cited locational typology comprised three elements: a hierarchy of planned and unplanned shopping areas or "nucleations"; ribbons of commercial activity that extend string-like alongside arterial routeways: and, a variety of specialised shopping areas devoted to a particular category of merchandise (e.g. the entertainments or "bright lights" district).

Given their undoubted intuitive appeal and substantial, if somewhat mixed, body of empirical support, both the Berry and basic hierarchical models have proved enormously influential. For decades the notion of a retail hierarchy has dominated, some would say ossified, land-use planning policies in the UK, Ireland and many other countries (Potter, 1982; Berry *et al.,* 1988). As Burt *et al.* (1983) and Sparks and Aitken (1986) have shown, the preservation of the hierarchy is a central plank of UK planning policy and as retailers' locational decisions are determined by the prosecution of such policies, they too are ultimately beholden to the hierarchical framework. Day-to-day retailing decisions are thus dependent upon a 60-year-old, micro-economic model that is inflexible, immutable and deductively derived.

Post-hierarchical Proposals

A milestone in locational analysis though it undoubtedly was, the basic problem with the hierarchical model of urban retailing is that its very restrictive assumptions concerning the nature of demand and supply (see Table 1) have become increasingly unrealistic in today's highly dynamic commercial environment (Burt, 1989). The growth in refrigerator and car ownership, for example, has conspired to alter the nature and timing of shopping expeditions and to loosen geographical constraints. Contrary to the model's underlying assumptions, shopping trips are no longer confined to the nearest centre that sells a particular type of goods (if they ever were) and, moreover, all manner of categories of merchandise may be combined within more comprehensive but less frequent "one-stop" shopping expeditions (McGoldrick, 1984). Similarly, supply is not simply a function of the free play of market forces but a reflection of interacting institutional influences. These include the provisions of the land use planning system, the funding constraints upon and tenant recruitment policies of the shopping centre development industry and, not least, the marketing strategies of multiple retail organisations (Dawson, 1983; Guy, 1984; Gayler, 1984).

Table 1
Assumptions and Implications of the Hierarchical Model

Consumer

- Undertakes single-purpose trips and purchases small amounts
- Trips are home based
- Visits nearest shopping district where the good is available
- Responds only to price and product range
- Purchases only in shops
- Trip frequency is related to product perishability and hence renewal frequency
- All have similar personal mobility, both actual and perceived
- Satisfaction is measured by availability of goods

Retailer

- Independent, profit-optimising business
- Overhead costs and buying costs are the same for all stores selling similar goods
- Shops sell a single line of goods
- Shops have all the same locational need, the point of minimum aggregate consumer travel
- A free market exists in locational choice — no shopping centres
- Property valuations make no contribution to retailer profits
- No retail innovation
- No economies of agglomeration and linkage

Source: Dawson and Sparks (1986)

In these circumstances, it is hardly surprising that the 1980s witnessed a challenge to the traditional perspective. At the start of the decade, for instance, Dawson and Kirby (1980, p. 88) announced that, "hierarchical models are no longer adequate representations of urban retail provision, nor are they an adequate basis for planning retail land uses over the next 20 years". Dawson and Sparks, (1986, p. 38), moreover, maintained that the concept was "no longer relevant to many consumers and retailers", and even a long-term advocate of the hierarchical standpoint acknowledged that the growth of superstores, retail warehouses and other large-scale retailing formats had served to undermine the traditional framework (Davies, 1984).

By challenging the prevailing paradigm, these criticisms helped create a climate conducive to the "hands off" planning policies that held sway in the UK during the 1980s and gave rise to the explosion of locational options described earlier. It also led to the formulation of a variety of quasi- and post-hierarchical retailing typologies (see for example, Potter, 1982; Bowlby *et al.*, 1984). Prominent amongst these was Dawson and Sparks' (1987) analysis of consumer need and retailer response which, as indicated in Table 2, provided a five-category classification of consumer shopping behaviours and retailing propositions.

Table 2
A Post-hierarchical Classification of Shopping/Retailing Activities

Consumer need	*Retail response*
Essential shopping	— local convenience shops (convenience); — corporate mass merchandisers (price, utility)
Fun/leisure shopping	— specialist shopping areas (product range, style); — large leisure/shopping complexes (leisure activity, style); — fashion/lifestyle retailing in planned cluster (multi-purpose activity)
Purposive shopping	— large, target shopper units (product range); — wide range or variety stores (value)
Time-pressured shopping	— home shopping (time); — petrol station shops/convenience stores (time)
Innovative shopping	— home-based facilities; — catalogue showrooms (range)

Source: Dawson and Sparks (1986)

Another model distinguished between the *form* or shape of a shopping area and the types of retailing (*function*) found therein (Brown, 1989). Illustrated in Figure 2, this suggests that three categories of locational form can be identified: cluster, linear and isolated. *Clusters* are relatively compact agglomerations of retail outlets that have either grown up in an incremental, unplanned fashion or have been developed as an integrated, carefully planned whole (e.g. traditional town centres and suburban shopping complexes). The *linear* form of shopping area comprises an assemblage of retailing facilities that extends, ribbon-like along major and sometimes minor roads (inner city shopping streets, for example). *Isolated* locations, on the other hand, consist of single, free-standing outlets, spatially separated from other retailing establishments (hypermarkets, factory shops and so on).

As with the three categories on form, three types of functional area can also be discerned. *General* shopping areas contain a wide variety of retailing outlets, cover a number of merchandise categories and thereby cater for the multi-purpose shopping behaviours of consumers. *Specialist* shopping districts consist of large numbers of similar or closely related outlets, such as electrical equipment retailers (Akihabara in Tokyo)

Figure 2
A Post-hierarchical Typology of Retail Locations

		Function		
		General	Specialist	Ancillary
Form	Cluster (unplanned)	Town and city centres	Bright lights district	Sandwich bars in financial district
	Cluster (planned)	Megacentre	Speciality shopping centre	Shops in airport departure lounge
	Linear	Traditional arterial route	Ethnic shopping street	Hamburger alley
	Isolated	Corner shop	Carpet warehouse	Crush bar in opera house

jewellers (Hatton Garden in London) or car showrooms (the "automobile row" of most US cities). *Ancillary* locations, by contrast, are not primarily shopping areas as such, but comprise retail establishments capitalising on pedestrian traffic generated by non-retail activities. Examples include outlets in hotel lobbies, the concourses of railway stations and airport departure lounges.

Form and function can be combined, as in Figure 2, to provide a comprehensive, twelve category classification of retail locations. This ranges from general unplanned clusters (such as most town and city centres) and free-standing specialist stores (first generation retail warehouses) to planned speciality centres (for example, Powerscourt House in Dublin) and isolated ancillary outlets (T-shirt sellers at rock concerts, etc.). Although these categories are less clear cut in practice than they are in exposition, post-hierarchical taxonomies of this type typify the manifold attempts to break away from what were held in the 1980s to be the conceptual shackles of the traditional hierarchical model.

FUTURE PRIORITIES

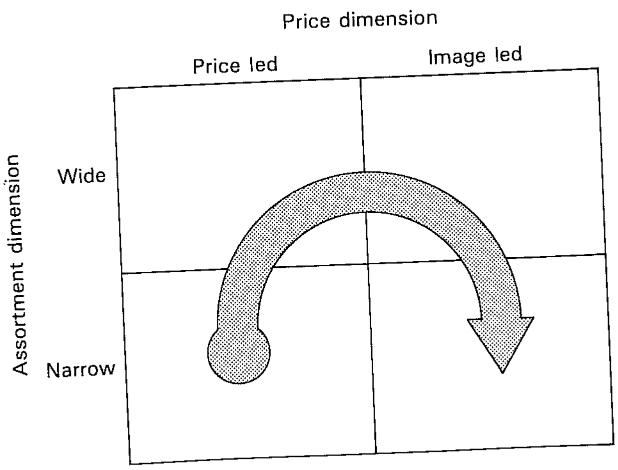
Despite the proliferation of post-hierarchical perspectives on retail location, it has to be conceded that they have failed to provide the theoretical breakthroughs that were once envisaged. Inductively derived as a rule and lacking the elegant conceptual foundations of central place theory, the models, in the main, have proved incapable of supplanting the extant hierarchical framework. Indeed, when compared to the dramatic developments on the technological front, the 1980s must be considered a decade of theoretical stasis.

If, however, the methodological momentum of the recent past is to be maintained in years to come, novel theoretical insights into the nature of retail location must rank as a major research priority. Two issues in particular need to be addressed. First, an attempt must be made to synthesise the traditional hierarchical model with the various post-hierarchical alternatives. The fact of the matter is that, irrespective of the extraordinary upheavals in retailing and its socio-economic setting, the hierarchy still exists after a fashion and it will undoubtedly continue to exist. Strange though it may sound, a hierarchical, post-hierarchical model of retail locations would appear to be required, and one such possibility has recently been proffered (Brown, in press).

The second and arguably more urgent research priority is the development of a dynamic conceptualisation of retail locations. Although they change much more slowly than product ranges, sales promotions and next week's special offers, locations are no more immutable than the other components of the retail marketing mix. We can all think of once prosperous shopping streets that have gone into seemingly terminal decline and other, once neglected, locations that have arisen Lazarus-like from the dead. Yet, despite incontrovertible evidence that locations are dynamic entities, most models of retail location are essentially static representations of the phenomena in question.

Daunting though this dynamic challenge to locational theorists may appear, it must be recognised that retailing is not short of theories of change (Brown, 1987a). While most of these refer to institutional innovations, such as the emergence of department stores, supermarkets and so on, they have been applied to various components of the retail marketing mix and can also be interpreted spatially (Brown, 1987b). One such model is the "combination theory" of retailing evolution (Brown, 1990). Based upon an amalgam of three long-established concepts, the wheel of retailing, the retail accordion and the retail life cycle, this contends that new forms of retailing commence as low cost operations selling a narrow range of discounted goods. The range of cut price merchandise is subsequently broadened and a period of all round upgrading then transpires. Eventually, however, this gives way once more to a narrower focus, albeit with a high cost, quality orientated sales philosophy (Figure 3).

Figure 3
The Combination Theory of Retail Change



When applied to the evolution of retail locations, the combination theory suggests that the spatial cycle starts with a single or small number of — often but not necessarily — cut-price outlets occupying accessible (i.e. low cost) sites previously unused for retailing activity. Their success and evident customer appeal encourages other outlets to locate in the vicinity, thereby broadening the overall range of goods on offer. Through time, the facilities, appearance and standard of retailer gradually improves as do the costs of locating therein (congestion, rentals, etc.) This, in turn, creates an opportunity for the emergence of alternative low cost locations, which gives rise to closures in the old-established agglomerations and thus leaves a locational legacy of smaller, more specialised clusters of retailing outlets.

Although based on several long-standing retailing concepts, ample evidence of the first three stages of this evolutionary pattern of locational change is apparent in the spatial forment that occurred in the decade just past. The massive Merry Hill Centre in Dudley, for instance, began as a strip of discount retail warehouses, selling a comparatively limited range of household items. A variety of specialist retailers, multiplex cinemas, fast food outlets and a spartan shopping mall, anchored by a cut-price grocery retailer, were subsequently added. This was followed by a huge and highly sophisticated, multi-level shopping complex, boasting a monorail and, at one stage, plans for the tallest building in Britain. Merry Hill, morever, is by no means alone. Broadly similar patterns of development have occurred at Thurrock and Cribbs Causeway, amongst others, and indeed are discernible in the equally dramatic locational changes that transpired in the late nineteenth and early twentieth centuries (e.g. Shaw, 1982).

Although it appears to possess some empirical utility, the combination theory is an imperfect conceptualisation of locational dynamics. Like the models of institutional change upon which it is based, the theory cannot account for the evolution of *every* retailing location. Nor, for that matter, does it *explain* why such changes occur. Nevertheless, models of this type are necessary if the study of retailing location is to advance beyond the essentially static perspectives that have largely prevailed until now. Whereas the rigidity of the hierarchical model only served to inhibit the spatial ambitions of the retailing industry, the combination theory, if nothing else, reminds us that "place" is not an immutable "p" in the retail marketing mix.

CONCLUSION

Although the intuitive approach to locational decision taking has by no means been abandoned, the 1980s witnessed significant breakthroughs in the methodology, technology and standards of locational analysis. Conceptually, however, the decade was one of controversy, with the traditional hierarchical model being challenged but not totally replaced. This paper has argued that, as locational decision taking is ultimately determined by the prevailing conceptual framework, novel theoretical insights are necessary if the methodological momentum of the 1980s is to continue into the new decade. In particular, a more catholic conceptualisation of available locational options is needed, as is a dynamic model of locational development.

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Retail Environments: Into the 1990s

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Abstract

Retail change is taking place at a geometrical rate of progression and this paper identifies seven key "environments" of change. Some of these environments are external to retailing and cannot be influenced by retail management. Others can be exploited by retailing organisations and at least one, the in-store environment, is completely under retailer control. Drawing examples mainly from the Republic of Ireland, the paper argues that the environments of change should not be seen as threatening but rather as a series of exploitable opportunities. Success in the 1990s will depend upon the pursuit of quality, service and, most importantly, information.

Change in the domain of retailing is taking place at an increasingly geometrical, rather than arithmetical, rate of progression. Within the last quarter century, retailing has changed from a situation where independents were a force in the land, to one where national and multinational corporate chains dominate in most sectors of the industry. The scale of retailing has changed as stores have become ever larger. Fundamental changes have taken place in the location of retailing, with the move to the suburbs and ultimately to edge-of-town and out-of-town locations. The formats have changed with the developments of the shopping centre — of varying scales — and the retail warehouse and retail park. Technological change is coming to the rescue of an increasingly information-driven industry and facilitating both retailer and consumer. Inevitably consumers are also changing — in terms of their demography as well as their lifestyles and therefore their demands of retailing and retailers.

This paper provides a broad overview of the changes taking place in retailing, drawing examples particularly from the Republic of Ireland. However it is suggested that many of the trends discussed may be usefully related to experience in other European countries. In Ireland the pace of change to date has not been quite so rapid as in other parts of the western world. Even so, there have been many casualties along the rocky road to ruin in Ireland: where, for instance, are the Liptons, the Five Stars, the Tescos, the H. Williams, the MFIs, the Woolworths or the Sock Shops of Ireland? At the same time recent years have seen new entrants including Marks & Spencer, BhS, Xtravision and, most recently, Texas Homecare.

Essentially change should not be seen as a problem by retailers, but as an opportunity: opportunities which range from the international — most notably in the context of European integration, 1992 and Eastern Europe — to the local, where the changing structure, nature, attitudes and mobility of consumers offer immense challenges in the Irish marketplace of the 90s. This marketplace has seen a general decline in consumer spending in real terms in the 1980s at the same time as increased business competition through a growth in retail floorspace, new operators, new formats and new retail locations developing.

One can consider a range of environments that affect the retail business. Some of these are external to retailing and retailers have little control over how they change. Other environments are ones that retailing can capitalise upon, and at least one, the in-store environment, is an environment that retailers control. Broadly one can identify seven environments which present both challenges and opportunities to the retail business: the overall business environment; the demographic environment; the consumer environment; the retail environment; the technological environment; the in-store environment, and, the most unpredictable, the future environment. Consideration of the in-store environment is beyond the scope of this paper, but the other six environments form its basic structure.

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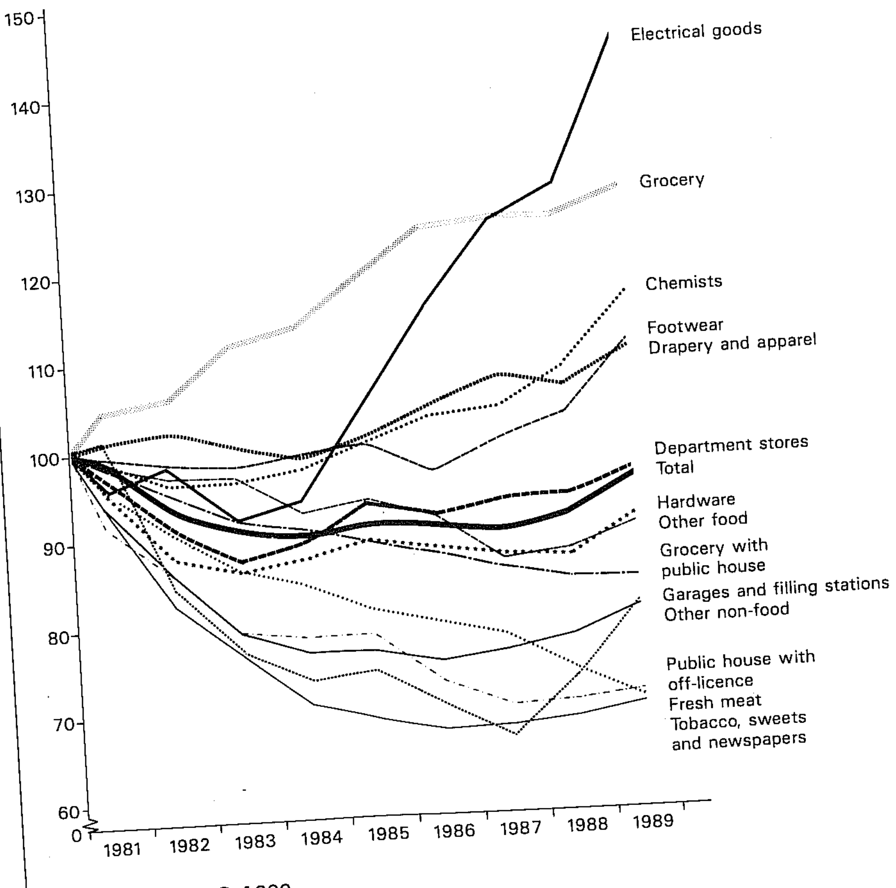
THE BUSINESS ENVIRONMENT

Retailing is susceptible to many external forces in the overall business environment which affect consumer spending power. While it is popularly perceived, particularly by those involved in the planning profession, that there is an exact relationship between population size and consumer spending, the reality is that consumer spending is quite fluid. The amount of disposable income available to spend on retail goods fluctuates as, for example, mortgage rates change, interest rates alter, and attitudes towards saving personal wealth or the use of additional credit facilities vary.

Within the UK, real incomes have increased and living standards have improved (Sparks, 1990), and while this is generally true for many in the Republic of Ireland, the evidence is that in real terms, consumers are spending less than they did in 1980 (Parker, 1990a). The retail sales indices (Central Statistics Office, 1990) reveal that total retail spending in 1989 was only 85 per cent that of 1980. However, certain types of retail functions have benefited, while others have lost out — some quite heavily. Figure 1 indicates that public houses/off licences; tobacco, sweets and newsagencies; butchers; garages and filling stations; hardware outlets, and department stores have all been the losers in the 1980s. The winners have been clothing and footwear shops; chemists; grocers and particularly the electrical goods outlets.

The Retail Sales Volume Indices for electrical goods have increased by 44.3 per cent since 1980 and the traders have benefited particularly from the lowering of the VAT rate and introduction of the 48-hour Rule by the Irish government in the early 1980s. This latter legislation, which

Figure 1
Retail Sales Indices, 1980-89



Source: CSO 1990

has now been adjudged illegal by the European Court, forbids the importation of goods unless a resident of the Irish Republic has been out of the country for at least 48 hours. It has largely put a halt to the cross-border flow of goods from day-trippers shopping in Northern Ireland and has clearly benefited towns on the southern side of the border to the detriment of retailing in such Northern Irish towns as Newry.

However, much of the uncertainty in the world can impinge upon retailing without retailers being able to do anything about it. The rate of inflation and GNP are critical to retail success, but are essentially external to the retailer's control or often the control of individual governments as the present Gulf Crisis illustrates. Clearly the cost of living will increase due to the oil shortage and together with a relatively high inflation rate and high cost of borrowing will not alleviate the recent downturn on retail sales in the UK. By contrast recent estimates for the Republic of Ireland (*Finance*, 1990) suggest that, notwithstanding the oil crisis, GNP will outpace inflation through the early 1990s. In the view of professional economists, the GNP rate will range from 3.9 per cent in 1990, through 3.3 per cent in 1991 and steady to 3.5 per cent through to 1994. By contrast, although inflation is projected to increase to 3.6 per cent in 1991 (from a current estimate of 3.1 per cent), it is projected to decline to only 3 per cent between 1992-94. These figures represent a lower inflation rate and a higher rate of GNP growth than a number of European countries and suggest that the overall business environment in the Republic of Ireland will be quite sound through to the mid-90s. If these estimates prove accurate, it is of course an environment in which retailers could prosper, and that is something that will not be lost upon British and continental retailers looking to expand as the Community moves towards the Single European Market.

THE DEMOGRAPHIC ENVIRONMENT

One of the major impacts on retailing in recent years has been the changing demographic and socio-economic environment. There has been a decline in the growth rate of most European populations, and this has resulted in changes not only among consumers but also in the labour market for retailing. The birth rate has fallen dramatically in the Republic of Ireland, and it has been estimated that the population of Ireland will actually decline over the next 20 years (Davy, Kelleher and McCarthy, 1987).

At the same time the population through western Europe is ageing, with a substantial growth occurring in the older age groups. In the Republic of Ireland, it is estimated that between 1986 and 2011 there will be a 52 per cent growth in the 45-64 year old category and a 35 per cent decline in the under-30s (Davy, Kelleher and McCarthy, 1987). This ageing process is enhanced by increasing longevity, which with the growth of the health care industry in the next 20 years will result in a more active, although aged consumer. The effects on the retail industry will include greater attention to healthy eating (with a commensurate increase in health food products and health food outlets), to fitness (growth in demand for sports equipment and sports goods shops), and to activity holidays (which will benefit local tourist industries).

Retailers who have targeted specific age segments and who rely purely on population growth within those segments for profitability will need to rethink their strategies. It may well be that this ageing process could result, for example, in the salvation of the department store, that cornerstone of city centre retailing, as increasingly older consumers seek out the tried and familiar and reject the latest retail niche offerings. Other results of the ageing of the population may well be an increased demand for public transport rather than the use of the car for shopping trips, which would be to the advantage of the traditional city centre shopping environment over new suburban and out-of-town locations.

Conversely, the ageing of the population could result in a two or more licensed drivers in many households, with consequent demands upon the family car, but at the same time increasing the number of potential car-born shoppers. This may well be to the advantage of edge and out-of-town retail developments, particularly where road systems facilitate such trips.

A further demographic impact upon retailing is the fact that the numbers of households are increasing at a time when population growth is relatively stagnant. This is because the average household size is declining. Young people are leaving home and setting up their own households, and marital breakdown is leading to the establishment of two households where previously there was only one. Consequently there is an expansion in demand for certain types of home-related goods.

Socio-economic change has resulted in an increasing number of people going into the labour force — a proportion that in the Republic of Ireland is likely to continue to increase through the next 20 years. In particular, recent years have seen the substantial growth in service sector employment at the expense of the manufacturing sector. The working wife is now a well-established phenomenon, as is the use of part-time and casual labour. In the future it is quite feasible for people to have two part-time jobs as they seek to improve themselves financially and in so doing improve their lifestyles. For some, therefore, the increased employment opportunities have resulted in less time to undertake other activities and increasing demand for convenience in both the home and from retailers and retailing.

There have been other changes in work practices too. Shorter working weeks and earlier retirement are international phenomena which are evident here in Ireland. The three 45s of the not so recent past may well become the three 35s in the not too distant future — a 35-hour working week; a 35-week working year and a 35-year working life. These can lead to increased leisure time among people who are both affluent — as a result of retirement nest-eggs — and active, which provides not only increased demand for certain types of goods, but also a demand for shopping as a leisure activity.

At the same time, unemployment is still a feature of western economies, and emphasises the polarisation of society between the "haves" and "have nots". The latter have low levels of disposable income, but given that they are frequently located in distinct geographical areas, provide a potentially large number of customers for certain types of basic goods in those localities.

THE CONSUMER ENVIRONMENT

The demographic and socio-economic environment alters the consumer environment in which the retail system operates through consumer lifestyle and attitudinal changes. "Lifestyles capture many external influences — cultural, demographic, social and family — and internal influences — psychographics, upon the consumer" (Wilkie, 1986). Customers are increasingly sophisticated and from the niche retailers of the 1980s have gained the self-confidence to express their individuality. As a result increasingly the products that customers buy are an expression of the way they see themselves just as much as having a basic functionality.

The ageing and maturity of the consumer in some ways is reflected in a maturity of their values and desires. With increased disposable income, retirement nest-eggs, capital inheritance, and the pressures either to make good use of the limited leisure time the employee has, or to expand the horizons of an active, early retiree, there will be increasing numbers of consumers looking to purchase quality leisure products, such as televisions, video and hi-fi systems, and to travel, with increased demand for associated products.

New typologies of customers are emerging from the classic segmentations of income and occupation, which in themselves are no longer good guides. The new typologies include the Thirtysomethings, who were formerly the "dinkis" (double income, no kids), but now form a double income household with children, with consequently still the high spending power but with different sets of consumer demands. An increasing consumer typology is the Secondsomethings: households with a second car, which increases their mobility for shopping; with a second home, which increases the demand for home-related goods; with a second job, which increases disposable income but severely limits the time in which shopping can be undertaken; or a second companion, which results in different sets of demands. For the Secondsomethings, as different family members go about their own lives, there are increased demands for product duplication.

Concern for the environment has led to a distinctive consumer group, the Greens, while other consumer typologies emerging in the 1990s include other age-related groups. These include the inheritors, who benefit where a sudden influx of capital unrequired for day-to-day living becomes disposable wealth; the Golds, who have reached retirement, perhaps taken early retirement, with a consequent financial benefit which they can spend; the Empty Nesters — those who no longer have the costs of raising and educating a family, and may well have paid off their mortgages, with the resultant freeing-up of funds that those lifestyle changes bring; and the Greys — the growth in the 40-plus market both numerically and in terms of spending power. This latter group will become one of the largest and most powerful consumer groups in coming decades, yet it is evident that they are not a single, homogeneous group, but a highly complex and polarised market segment whose only shared characteristic is age. Within the Republic of Ireland, the East region centred on Dublin will have the largest single concentration of "Greys" in the country (Poole and Parker, 1990).

Consumers are becoming increasingly familiar with international trends — from information gleaned from television, as well as from increased mobility, which is reflected in holidays and business travel overseas. As such they will be more prepared to "borrow" from other cultures — as has been evidenced by the development of pizza parlours and kebab houses in the fast food industry. Quality will be a watchword among consumers in the 1990s: quality of product, but also quality of service and particularly quality of environment, as well as quality of life. Consumers will increasingly expect high standards of design, reliability and service from both the products and retailers whom they patronise. There is a direct association of the quality of the shopping environment and the quality of the merchandise in the consumer's psyche. The days of "pile it high and sell it cheap" are numbered except in certain limited operations. Even in the grocery trade, this type of trading has not been particularly successful in Ireland, in contrast to Britain, as is evidenced by the demise of 3 Guys a decade ago (Lord *et al.,* 1988) and more recently the Giant Trading Company.

Increasingly shops are beginning to provide "creature comforts" for their customers. Some supermarkets provide drinking water for their customers, others provide crèches. Texas Homecare, the DIY superstores, have even considered it worthwhile to devote some of their floorspace to fast food restaurants in order to retain customers within the store. It is clearly evident that if price wars were the key to successful retailing in the early 1980s then service is the key for the early 1990s. Those retailers who fall down on the service issue will have increasing problems in the 1990s — if they are still around.

Consumers have become increasingly concerned about the quality of life. They have passed beyond the "me" generation, symbolised by such materialistic epithets as "shop till you drop" or "I am, therefore I shop" to a concern for the quality of life. The "me" generation of the 1980s is becoming the "us" generation of the 1990s with increasing consumer concern about the environment. However, there is a danger of it becoming over familiar. While the vast majority of people profess a concern for the environment, relatively few consumers, in Ireland at least, are aware of its implications for their shopping. Almost three-quarters of a sample of Irish consumers were unable to name an earth-friendly product or company (Burke, 1990). Consumer environmental education is an area in which supermarket companies are becoming increasingly involved.

However, the price premium is perhaps *the* major stumbling block to green products realising their full potential. In Ireland, a number of the supermarket organisations do not believe that consumers are willing to pay a premium on green goods and there is the danger that the consumer may turn away from the environmental issue if he/she feels it is being used as a marketing ploy by the retail industry (Parker, 1990b). Nevertheless, the Green issue is symbolic of the way in which the consumer environment is rapidly changing and emphasises the need for the retail industry to anticipate rather than respond to consumer concerns.

THE RETAIL ENVIRONMENT

The environment within which consumers purchase has changed radically within the last few years. Retail locations, retail formats and retail structures are now quite different. The growth of planned shopping environments, both in suburban and edge-of-town locations as well as city centres, are familiar to most consumers in the western world. The development of large-scale outlets, the retail warehouse and the superstore are paralleled by the rise of the corporate multiple and the decline of the independent retailer. New and novel shopping locations are developing as people shop from home or from work and this has resulted in shops being opened up in airports, railway stations, and petrol stations, all of these locations having a regular throughput of potential customers. Local newsagents are now offering video rental and dry cleaning pick-up services in addition to their normal range of goods.

Changing attitudes towards time management among consumers and the demand for convenience have led to the growth of fast food outlets, including the ultimate in convenience, the drive-through McDonalds. These demands have also led to the rise of the C-store, such as 7-11 and Spar 8 till Late, one of the independent grocers' answers to the growth of the multiple supermarkets. One of the major trends Ireland will experience in the 1990s is forecourt retailing (Parker, 1990c). Already a major growth format in Britain, 1,500 to 2,000 square feet convenience-stores on petrol station forecourts will do much to maximise the potential of excellent locations and provide a wide range of goods and services to a particular consumer segment. The need for convenience has also resulted in shopping hours adapting to suit customers' needs with some supermarkets staying open until at least 7 p.m. five days a week, and other supermarkets instituting a new retail innovation, deliveries!

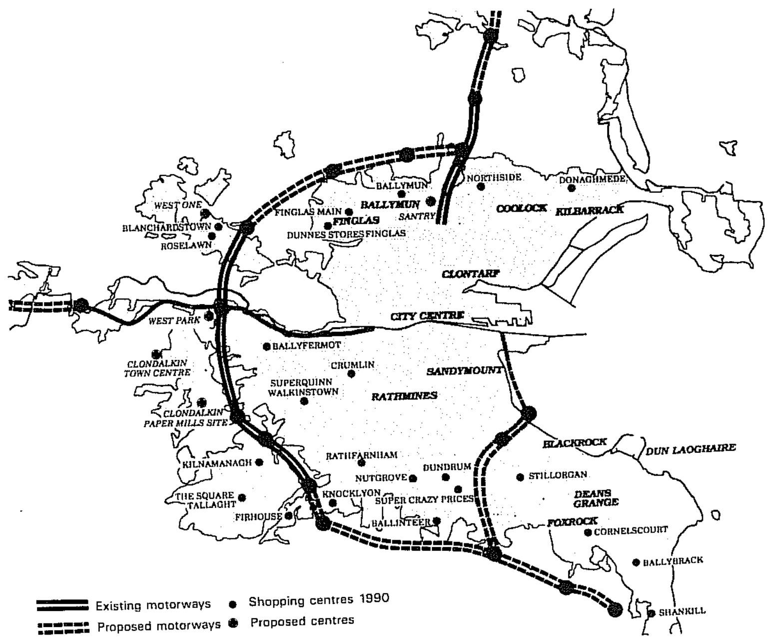
One of the major locational shifts in retailing in recent years has been decentralisation from town and city centres. The traditional core of retailing — the high street — has been under pressure for some decades now. Within Dublin, there has been over 3 million square feet of purpose built shopping space added within the last quarter century, most of i in the suburbs (Parker and Kyne, 1990). This phenomenon is a commo feature of other Irish towns both south and north of the border (Parke 1982; Brown, 1990).

The flight to the suburbs — and beyond — has been heralded as th three waves of retail decentralisation in Britain (Schiller, 1986). The fir wave saw the movement out of grocery outlets, coinciding with the growing suburbanisation of the population and the rise of the multiple supermarket organisation. The second wave has seen the decentralisation of DIY, furnishing and electrical goods stores, while the third wave has seen the movement out of speciality stores, notably clothing outlets. This latter wave has seen joint developments in Britain between Tesco and Marks & Spencer, and the location of the latter company in the Sprucefield retail park, outside Lisburn, in the company of Texas DIY and MFI.

The latter two waves have coincided with the development, first of the retail warehouse and subsequently, of the retail warehouse park. No longer do these accommodate just the DIY and furnishing trades, but include shoe stores, toy stores and restaurant facilities. Although these phenomena are well developed in Britain and are expanding in Northern Ireland (see Brown, 1989), to date, there have been only isolated examples of retail warehouses in the Republic of Ireland, most notably in the DIY trade but also with some examples in the household goods area — carpets, tiles and electrical goods. The operators have been locally-based organisations with a limited number of stores, often confined to the Dublin area. However, the country's first retail warehouse park came on stream at Kylemore Road in mid-September with the opening of a 45,000 square foot Texas Homecare unit and with the development of the Dublin orbital motorway, there are a number of proposals at various stages seeking to benefit from the increased accessibility that the motorway will bring to the affluent, mobile suburban populations.

Shopping developments are increasing in size. In Britain, three regional scale centres of over a million square feet are already in operation: the Metro Centre, Gateshead; Merry Hill, Dudley; and Meadowhall, Sheffield. Another is nearing completion at Thurrock and others are at different stages in the planning process. In the Republic of Ireland, a 700,000 square foot scheme, The Square, Tallaght towncentre, is likely to have a radical impact upon shopping patterns within Dublin, particularly as the development of the orbital motorway enables affluent, mobile, southside consumers to visit the centre relatively easily (Figure 2). The

Figure 2
Dublin Orbital Motorway and Nearby Shopping Centres



greatest impact is likely to be upon existing, smaller-scale suburban shopping centres rather than the city centre though, for the retail offer in the two major locations tends to be complementary rather than competitive. By contrast many of the older suburban centres within The Square's hinterland will face difficult times in the 1990s.

Increasingly there is an emphasis on shopping as a leisure activity. The regional scale developments in Britain are proving to be tourist attractions in their own right. The new Meadowhall development in Sheffield is drawing coach parties from as far afield as Scotland and South East England, while The Square in Tallaght is quite likely to generate a similar phenomenon as Ireland's first regional-scale centre. The leisure component is increasingly being incorporated into large-scale retail developments, partly because of comparable locational requirements — sufficient demand to be profitable, easy access, good parking facilities all contribute to the success of shops and leisure facilities alike — but also because by doing so, the schemes can offer members of family groups the opportunity to go to one location and undertake different activities. Furthermore in suburban locations such developments are paralleling the wider range of facilities traditionally associated with the town centre, strengthening the former in its competition with the latter. In regional scale centres which rely upon drawing shoppers from considerable distances, leisure components are particularly important if the development is to be the focus of "a day away from home". As a case in point, the Metro Centre in Gateshead has created a 60,000 square foot Metroland, with a wide range of children's and adults' rides.

Perhaps what is of greater importance though is the provision of food and drink in the shopping environment. Department stores have traditionally recognised the importance of a cafe or restaurant. If customers' needs are satisfied in store, they will stay longer. If they stay longer, they are likely to spend more. The arrival on the high street of a range of fast food outlets caters to the same human needs — and keeps people in the shopping environment longer. In planned shopping environments, these trends have culminated in the food court, where members of the shopping group can choose different types of food yet eat together in a communal seating area.

Many of these new forms of development are occurring in city centre locations as well as the suburbs. City centres have the advantage of being the traditional shopping environment for many people, and also of being the historic core of the city. Attitudes towards city centre shopping still remain positive notwithstanding the suburban and out-of-town opportunities and the emphasis in recent years has been to enhance and improve the city centre shopping environment. Improving access has been critical in this — both for vehicles in the form of car parking facilities and improved public transport, and for pedestrians with the pedestrianisation of many city centre shopping areas. Environmental improvements have even included the roofing over of prime shopping streets in some continental cities.

Modern day shopping facilities have come into Irish city centres in the form of planned shopping centres, some of which rival the out-of-town developments for ambience and facilities. The city centre has also had the advantage of the re-use of historic buildings as shopping developments to add to the diversity of shopping opportunities, such as the Powerscourt Town House centre in Dublin. Furthermore, the pedestrian volumes in city centres are difficult to match in out-of-town centres and there is also the advantage of the capital investment tied up in building stock which means that many groups have a vested interest in seeing the city centre succeed as a shopping environment.

At the same time, city centre retail streets have suffered, particularly on the edges of the retail core. Secondary and tertiary retail streets are often unattractive environments, which carry vehicular traffic, and attract down-market traders. Rental returns are low, particularly when compared to the prime shopping streets and as a result, investment in improving specific buildings and the general environment is limited.

With the increasing amount of shopping space and opportunities, the 1990s will be clearly aimed at making shopping an exciting experience. The design-led retail strategies of the 1980s (see Fitch and Woudhuysen, 1987) have resulted in shoppers expecting attractive shopping environments. Quality in internal and external design is something that has evolved during the 1980s in shops ranging from the fashion retailers to the foodstores. For example, in-store displays reflect the quality of the merchandise, as in the case of cosmetics in many supermarkets. Consumers are increasingly rejecting those shopping environments that do not match up to their standards and as a result there has been — and needs to be — considerable refurbishment in older retail shopping environments, whether these be individual shops, aged, purpose-built centres or traditional shopping streets.

The changing nature of consumer demand and retail environments has been paralleled by a shift in market power with the growth of multiple, corporate chains. This has been documented by Dawson (1979) and Dawson and Burt (1988) in an international context and by Parker (1979; 1990d) in respect of the Irish grocery trade. Evidence of concentration in the latter trade is provided by Nielsen (1988). In 1977, the top 2 per cent of grocery shops accounted for 25.7 per cent of turnover. By 1988, the top 2 per cent of shops accounted for over 48 per cent of turnover.

The number of grocery outlets has declined by almost half between 1966 and 1988, yet the amount of grocery floorspace has increased substantially and continues to do so. However there is evidence of a turn-round on the part of the independent sector. The multiples presently command some 57 per cent of the grocery market but that was over 60 per cent two years ago. The change has occurred because of the rapid development of Super Valu, a symbol chain of supermarkets, which now has a 9 per cent share of the Irish grocery market. Even so, two multiples command some 47 per cent of the Irish grocery trade.

At the same time, the trend towards multiples dominating independents also occurs in other retail trades, with two organisations dominating the clothing sector. By contrast, in the Irish hardware/DIY and electrical goods trades, the independent operator still dominates. Specialist independents account for 62 per cent of the market share in the brown goods sector, with rental premises accounting for a further 20 per cent.

However this situation may well change in the near future. In the DIY trade, Texas Homecare signals the arrival of the multinational retailer. Within the electrical goods industry, the arrival of Thorn-EMI may well represent the thin end of what could rapidly become a very thick wedge and the need to expand out of a potentially saturated and sluggish home market together with the advent of the Single European Market could result in Comet, Currys, Dixons or continental electrical goods retailers identifying Ireland as a suitable target for future expansion.

THE TECHNOLOGICAL ENVIRONMENT

Technological change is occurring at an increasingly rapid pace and is affecting both consumer and retailer. Today's consumer wants to be part of technological change and use the benefits that it can bring. Technology for the consumer has emphasised convenience. Time management has become that much easier with the technology now available to the consumer. There has been, for example, a freeing-up in the time-consuming chores in the kitchen, with the advent of the fridge/

freezer, the food processor and the microwave oven. Technology has enabled consumers to enjoy their scarce leisure time more and technological developments have led to home shopping, potentially one of the most radical changes that will occur in retailing within the next few years. This could well result in a change in the demand for travel agents' offices, or bank branches, and a contraction of space devoted to dry goods in supermarkets.

Technology has made it easier for people to acquire money, through ATM machines and drive-thru banks, and to spend money with the development of credit cards and most recently smart cards. These developments have been paralleled by changing attitudes on the part of consumers to indebtedness. Increasingly retail companies are expanding into the financial and financing areas, with one of the latest being Marks & Spencer offering their own financial services package. The development of scanning, electronic point of sale (EPoS) systems and eventually electronic funds transfer point of sale (EFTPoS) systems will not only aid the consumer but provide information bases for the retailer (Parker, 1990e).

Changes in the technological environment through the medium of scanning, EPoS and EFTPoS will result in retailers being able to match their product offers very much more closely to their customers' needs, as is already happening in North America. There, for example, some grocery stores have the capability of informing the customer, as they "log in" their store card at the start of their visit to the store, of special offers on items which the client regularly buys. Furthermore, the 1990s will bring in-store microcomputers, linked to parent company host computers and distibutors' computers, which will aid stock control and ordering. Direct Product Profitability (DPP) systems will develop particularly in companies selling fast-moving product lines as the retailers seek to maximise the return from their shelfspace.

THE FUTURE ENVIRONMENT

This is perhaps the most difficult environment to evaluate, but there are a number of trends that are evident. Quality, up-to-date information will become the prime need of those involved in the retail industry. Retailers will need to be much more aware of customer information. Who the customers are, where and why they spend, who are not customers and why, and who could be customers and how, will become critical information to ensure maximisation of retail potential. Technology will provide customer databases for retailers, and among the major problems to be overcome will be how to most efficiently use these information resources.

Geodemographics — knowing exactly who your local market comprises — will become increasingly important in the 1990s as retailers tailor their product offers to their client markets. Geodemographic information systems will assist not only the small-scale retailer but also enable large-scale corporate companies to differentiate between the different markets for their stores.

Wider issues will also affect retailing in the immediate future. As national markets mature and reach saturation, how will retailers develop? Clearly the need to maximise profits from existing outlets is an important area, and there is likely to be greater attention paid in future to these problems. Retailers will increasingly adopt much more scientific methods for assessing existing store performance and evaluating the viability of new locations.

Retailers are quite likely to look at diversification as an option. Within recent years, Marks & Spencer has become a major player in the furnishings market and the added value food market. W.H. Smiths, another typical high street retailer, has expanded into DIY warehouse trade with Do-It-All, as well as opening its own record shops and travel agents. Sainsburys have developed Homebase DIY stores. Diversification into new product areas and scrambled merchandising as retailers capitalise upon their consumer throughput is likely to develop further in the 1990s.

A further direction with the advent of 1992/93 will be to explore overseas markets. Already in Ireland, there is an increasing number of British and continental retailers on the high street in Dublin, for example — Clarks Shoes and Lynx Optique. Equally, Irish companies have sought to expand from their local base into Britain and North America. Dunnes Stores, the largest of the supermarket multiples, which also trades in the drapery and other trades, has been developing stores in Britain and most recently has concluded an agreement with Gateway to develop fashion departments in its superstores. Xtravision, a rapidly expanding video rental chain has developed in the United Kingdom and North America primarily through a policy of acquisition. The reverse of this situation is British and other European retailers developing in the Irish market. However, the opening up of more populous Eastern European markets may well result in a decline in interest in the European periphery on the part of core West European retailers.

The quantity of shopping facilities will continue to be an issue into the 1990s. Already there is the suggestion of retail park space saturation in Britain, at a time when this feature has yet to develop in the Republic of Ireland. Equally, are shopping facilities getting too large for an ageing population? Is the shops within shops notion (separate sports or beauty goods shops within supermarkets; or the renting out of concession space in department stores) a response to the need to break up large areas of retail space, so that it becomes more manageable for the customer? Or is it, at least in some instances, an admission that other retailers can perform better from the same location? How can shopping facilities be made more attractive for consumers?

Success in the retail industry of the 1990s will depend very much upon retailers gaining the competitive edge through the pursuit of quality, of service and of matching their customers' needs — psychological as well as physical — to their product offer. Clearly this will vary from location to location and from trade to trade and therefore it is clear that the 1990s will be the information age of retailing.

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*Reviewed by **Stephen Brown** of the University of Ulster.*

THE WHEEL OF RETAILING TEXTBOOKS

Introduction

When called, as we are on occasion, to account for our cloistered and contemplative life-styles, few academics can resist that much-recycled aphorism, "there's nothing so practical as a good theory". When asked, however, what constitutes a "good" theory, we lack an appropriate adage. True, the more tautologically inclined are tempted to cite "practicality" as the key criterion, but "adaptability" is arguably a better bet. As exemplified by the PLC and the ecological analogy, "good" theories are characterised by versatility, the ability to provide insights into all manner of marketing phenomena.

If adaptability is one of our determinants of excellence, then the wheel of retailing must rank high in the pantheon of marketing theory. Besides its application to a host of retailing institutions and organisations in both the developed and developing world, "wheels" of branding, marketing, wholesaling and segmentation have been identified, as have cyclical trends in store opening hours, advertising styles, managerial systems, vertical integration, the provision of credit, delivery, trading stamps and other customer services and, indeed, the progress of retailing thought itself.

Surprisingly, however, the wheel theory has never been used to account for the evolution of retailing textbooks. Student texts, after all, are no less prone to the ravages of time than the tools, techniques and organisations described therein. We can all think of innovative and once-exciting textbooks that have become bloated and uninspired caricatures of their former selves. I still remember my first intoxicating encounter with Engel *et al's Consumer Behavior*, the more recent editions of which have been parodies of their prodigious predecessors.

It can be hypothesised, therefore, that the wheel of retailing textbooks commences with a "bold new idea" that is disparaged by the academic community but proves popular with the readership. This, in theory, should comprise a short, unsophisticated, low quality, poorly produced and badly written book that is nonetheless successful thanks to its unique approach, customer orientation and competitive price. Through time, however, the book becomes bulkier, blander, more sophisticated, more expensive and, thanks to the biennial rehash (sorry, update), increasingly out of touch with customer requirements.

In order to explore this hypothesis further, a sample of the current crop of retailing textbooks was selected for review. The totally unscientific criteria for inclusion comprised: a combination of first and later editions; texts from both the USA and Europe; and, perhaps most importantly, the titles of those publishers that were prepared to post (and proved capable of addressing correctly) review copies to Northern Ireland. The chosen few were *Retail Marketing Strategy* by Samli, *Modern Retailing* by Mason and Mayer, *Retail Marketing* by McGoldrick and *Retail Management* by Ghosh.

Analysis

In many ways *Retail Marketing Strategy* epitomises the entry phase of the wheel of retailing textbooks. At 350 pages it is (mercifully) short. The lowest grade of paper — reconstituted packing case perhaps? — appears to have been used in its production. It looks truly appalling. The figures appear to be the work of a slovenly six-year old armed with an upturned saucer as a circular template, a serving spoon as a surrogate ruler and recalcitrant biro as a drawing instrument. And, it is atrociously written to boot. The text is replete with *non sequitors*, split infinitives, mixed metaphors, suspended sentences, dangling participles and every other syntactical *faux pas* one can possibly imagine. This book, in short, is the most horrifying read this side of a Stephen King, though the author's "cheerful" acceptance of full responsibility for the text and its contents is probably the most frightening revelation. Still, they say the captain of the Titanic was an optimist.

Academics, however, are not renowned for their literary or artistic acumen and many readers might be prepared to overlook the execrable exhibits and the woeful writing style, which can only be described as a stream of semi-consciousness. Yet even when allowances are made for incomprehensible sentences like, "The decrease of retail establishments per 1,000 population does not imply the retailing sector's service to the populace.", the book still fails to impress. It claims, for instance, to be targeted at advanced level students and to have drawn upon the wealth of sophisticated research overlooked by textbook writers hitherto. I suspect, however, that the advanced readership will be less than impressed by insights of the following calibre: "if the store is aiming at the older well-to-do segment, a dynamic youthful image is not likely to be successful" (p. 7); or, "Holiday Inns are very successful in locating their hotels in good locations" (p. 19).

Similarly, Samli's claim to have discovered an artesian well of scholarly insights, turns out to be a noisome waterhole from which the academic aquifer has long since retreated. A substantial amount of research is cited but the majority of this dates from the 1970s and before. Virtually the only post-1980 material is drawn from other retailing textbooks and, indeed, one piece of research from the early 1970s is rather eccentrically described as "recent" (p. 181). As this book is apparently based upon years of teaching experience, one fears that the author's lecture notes are in need of some updating.

In fairness, parts of the textbook rise above the tiresome and incoherent imbroglio. The chapters on segmentation and alternative retail strategies are commendable and the discussion of store image is above average. What is more, most of the topics one might reasonably expect to find in a retail marketing textbook are addressed in some shape or form, though the sequencing is bizarre and the depth of treatment somewhat variable, to put it politely. The chapter on store loyalty, for example, reads like a detailed research paper, yet the analysis of promotional issues is simplistic in the extreme. Indeed, even "differential congruence", the book's core concept which is touted snake-oil-like through ten preceding chapters, turns out to be a singular disappointment. Success in retailing, it transpires, is achieved through congruence between store and self image. Quite.

Samli, however, will doubtless have the last laugh. Although most academics will be chary of his *tour de farce,* it may well be that his piecemeal approach and idiosyncratic argot is in line with prevailing consumer preferences. Could it be that the wheel of retailing textbooks has turned and that students are sated with the increasingly stereotyped, highly sophisticated, me-too retailing texts currently on offer?

If students are becoming disenchanted with elaborate retailing tomes, then *Modern Retailing: Theory and Practice* is likely to suffer the consequences. Weighing in at 826 pages of high quality, lavishly illustrated, logically structured, meticulously indexed and consummately crafted content, the new edition of Mason and Mayer's best seller represents the acme of the "universal provider" school of retailing textbooks.

Commencing with a sumptuous introduction to retail structure and strategic issues, *Modern Retailing* continues with a cogent analysis of retailing environments and consumer shopping behaviour. Having thus demonstrated the process of choosing markets in which to compete, the text turns to a seamless discussion of how to compete through financial and human resource planning, merchandising, pricing, communications, store layout and location, etc. It concludes with a magisterial discourse on the techniques for controlling and evaluating the chosen strategy and an appendix on retailing careers. The book, in short, is a classic of its type. Whereas *Retail Marketing Strategy* is the academic equivalent of Crazy Eddies (an idiosyncratic US electrical goods chain), *Modern Retailing* can only be compared to Harrods, Galeries Lafayette, Takashimaya or the glory days of Marshall Field.

Just as the salad days of the department store have long since departed, so too Mason and Mayer's incomparable volume is showing increasing signs of age. Indeed, in many respects it exemplifies the maturity phase of the wheel of retailing textbooks. The fifth edition is larger, longer, more expensive and better produced than the first, though not excessively so. More fundamentally, it is in severe danger of losing touch with its target market, students new to the world of retailing.

The very first paragraph in the first chapter, for example, is likely to prove incomprehensible to many readers. Marks & Spencer is described as a power retailer on page 40, but the term "power retailer" is not defined until 45 pages later. An inventory of future trends in retailing is presented on pages 30-35, yet several of the concepts, e.g. telemarketing, are nowhere enunciated. The so-called "summary" of the prior discussion on competition (p. 191) bears little relation to the issues previously recounted and students are expected, in the application exercise on page 121, to refer to an earlier analysis of generic business strategies. However, this proves to be the readers' first and, outside of product policy, only encounter with the term "generic".

The weakness of this text, in other words, lies not in the coverage of fundamental concepts, though the treatment of international trends and channel strategies is decidedly pedestrian, but in the details. Retail, we are often informed, *is* detail and it is the authors' lack of attention to detail that gives this once incomparable book its increasingly shopworn air. Despite Mason and Mayer's protestations of continuing enthusiasm for their subject matter, *Modern Retailing* reeks of make-do and mend. It too often relies upon regurgitated gobbets of guru-speak, Porter and Levitt in particular. It is unnecessarily repetitive, most noticeably on page 616, which comprises a verbatim reprise of the discussion encountered *three pages earlier*. And, the writing is slipshod on occasion. The "retailing capsule" on store wars is especially grim (p. 297) and in their ungeometrical assertion that circles and squares are "irregular shapes" (p. 618), the authors are reminiscent of Samli at his finest.

Despite the inexorable advance of senescence, *Modern Retailing* remains an enormously impressive achievement. Indeed, of all the depressingly similar US retailing textbooks, it is one of the few that features regularly on my recommended reading list. This state of affairs is about to change however. For years retailing educators in the British Isles have been forced to rely upon the undoubtedly comprehensive but usually inappropriate American texts. With the exception of Walters and White, a singularly grisly specimen that makes A. Coskun Samli read like George Bernard Shaw (see Brown, 1989), there were simply no university level retailing textbooks written from a European perspective. The recent publication of *Retail Marketing* by Peter McGoldrick has transformed the scene however and import substitution is certain to be the order of the day.

Initial impressions of *Retail Marketing* would appear to substantiate the hypothesis that the wheel of retailing textbooks is applicable outside the United States. At approximately £15, it is competitively priced by student text standards and at 362 pages, positively epigrammatic. An amateurish photograph of one of London's least successful — albeit unaccountably described as "foremost" — shopping centres graces the front cover and the layout of the book leaves a lot to be desired. The figures are sometimes poor, often small and always badly centred. What is more, the pervasive lists of "key points" are perplexingly presented in a wide variety of fonts, formats and type sizes. Not since Antony and Cleopatra have roman and arabic characters been so closely intertwined.

Besides the careless presentation, the author's treatment of the material is not entirely inconsistent with the wheel of retailing textbooks. The discussion is occasionally unbalanced with, for example, the scholarly analysis of pricing issues contrasting with the introductory level insights into advertising and promotion, and the perfunctory nod to internationalisation and information technology in retailing. The constant cross-referencing between chapters and the unnecessary flagging of forthcoming attractions in each section and subsection conspire to give the (erroneous) impression that the book is badly organised. Similarly, the review questions at the end of each chapter exude the aroma of the UK examination hall and the author frequently falls into the trap of the tyro literature reviewer by concentrating upon "who said what" rather than "what who said".

Notwithstanding its minor shortcomings, which can easily be rectified for the next edition, *Retail Marketing* is a work of unparalleled scholarship. From his opening point that many retail organisations pay lip service to the marketing concept, through his analysis of retailers' reactive rather than strategic styles of management, to his final flourish on the life cycle of customer services, McGoldrick's text sets new standards of excellence. The author's depth of knowledge is apparent on every page of this consummate work and his grasp of the literature is awesome.

Interestingly, however, the success of McGoldrick's remarkable text stems not from his conceptual insights, though these are manifold, but from his personal experiences. The sheer range of his studies over the years ensures that, whatever the topic under discussion, he has an excellent theoretical and practical grasp of the issues. What is more, he is endowed with the enviable ability to communicate his expertise in an accessible and anecdotal manner. Whether it be generic products, in-store concessions, pricing policy or shelf space allocation — to name but a few — McGoldrick's treatment is informed but interesting, comprehensive yet conversational. He has no hesitation in challenging some of the sacred cows of UK retailing, such as the current stampede to develop an international presence and the design-led excesses of recent years, and he has an eye for the realities of retailing research. The aside that, "it is not uncommon to find managers using research findings. . . in order to prove/disprove a particular case" (p. 74) will strike a chord with many readers.

Retail Marketing, in sum, is a major contribution to the retailing literature, or, as one UK enthusiast put it, "the book we have all been waiting for".

There is an exception, they say, to almost every rule, not least the wheel of retailing. As with most scientific advances indeed, it is arguably the exceptions to the theory that explain its perennial appeal. It would be surprising, therefore, if there were no departures from the wheel of retailing textbooks. *Retail Management* by Avijit Ghosh is that exceptional case, with "exceptional" being the operative word. Although it is a first edition, *Retail Management* springs fully armed from the scholarly soil. Besides its 746 pages of text, bulky study guide, instructor's manual and accompanying video (album, CD and T-shirt to follow, doubtless), the book is profusely illustrated, in both black and white and colour, and contains the full complement of pedagogic aids. These include opening vignettes, which provide the reader with a practical insight into the ensuing concepts, lists of learning objectives, end-of-chapter review questions and, naturally, copious case studies, 24 to be precise.

Retail Management, in other words, contains everything one has come to expect from US retailing textbooks. It possesses, however, one particular characteristic that raises it substantially above the "me-too" category — the quality of the writing. As with his earlier text on retail location, Ghosh succeeds in communicating even the most complex concepts in a manner that even the dullest student — or reviewer — can comprehend.

Whereas, for example, the opening chapter of Mason and Mayer is akin to an initiative test — if you can understand the first paragraph you can understand anything — the opening chapter of Ghosh/ defies misunderstanding. The variety, excitement, mutability and topography of the retailing world are encapsulated in less than 30 pages of extraordinary lucidity. The second chapter is even better. Not only does it provide an impressive summary of the nature and forces of retail competition but it also introduces the central and recurring themes of the book, strategic groups and the "shopping opportunity line" (a form of price-quality continuum). After two such compelling opening chapters, the reader is completely captivated and thereafter taken step by beautifully structured step through channel relationships, retailing environments, strategic issues, store location and a stupendous discussion of merchandise management.

Outstanding though it undoubtedly is, even *Retail Management* is not without its weaknesses. The final section on supporting the merchandise through store layout, advertising, customer services and so on, is lacklustre. Although it compares well with competitive texts, this particular section is a somewhat nondescript contrast to the achievements of the earlier parts of the volume. It's almost as if the author, athlete like, had gone off too quickly only to suffer the consequences in the home straight.

In addition to the characterless concluding chapters, determined critics of *Retail Management* could argue; that the black and white photographs are occasionally substandard; that the text is too heavy and needs to be interlarded with additional lists and inventories of key points; that the vignettes at the start of each chapter are poorly integrated into the subsequent text; that the analysis of IT, internationalisation and personnel issues is decidedly light; and, that marketing research deserves more than an appendix to itself. Thus, even in this outstanding achievement the shadow of the wheel of retailing textbooks is not completely absent.

Conclusion

Academics, according to Thomas Jefferson, are prone to be led astray by artificial rules and many have argued that the wheel of retailing is one such rule. So it is with the wheel of retailing textbooks. Like most marketing theories, it should not be taken too literally nor applied too indiscriminately. Indeed, each of the foregoing textbooks exhibits characteristics that are at odds with the conceptualisation. Samli, McGoldrick and Ghosh are, respectively, too expensive, too scholarly and too sophisticated for the entry phase of the wheel and Mason and Mayer can hardly be described as moribund. The hypothesis, nevertheless, contains an element of truth. As a number of publishers' representatives said to me at a recent marketing conference, "The second edition is always the best. The first is not quite right. The second is close to perfect and thereafter the authors recycle the material".

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Crowning the Customer

by Fergal Quinn, The O'Brien Press, Dublin, 1990, pp. 160, £5.95 paperback

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Crowning the Customer

by Fergal Quinn

Whenever the discussion turns to customer service in Ireland, whether in the classroom or the conference centre, one name almost invariably surfaces — Superquinn. The 12 strong chain of grocery stores, operating in the greater Dublin area has become almost legendary for its unrivalled attention to customer needs — a marketing prototype. So, we have heard the name, seen the service and late last year, Managing Director, Fergal Quinn decided to give us the complete story. *Crowning the Customer* was published, in a style to suit the practitioner, but with an obvious appeal to the marketing scholar as well.

However, one's initial reaction to the book is hardly one of awe. As a "product", its design and "packaging" leave much to be desired. The large type-face is reminiscent of an elementary school text, while the layout of the book is very dull, lacking — with a few poorly done exceptions — the kinds of illustrations and diagrams which would have greatly embellished its presentation. Not a single photograph of the store or some of its excellent innovations which have been developed over the years appear anywhere in the book, even on the cover. Low ratings on the styleometer.

In terms of content the book recalls many of the well-known examples of Superquinn's customer service excellence. It includes discussion on the decision to remove sweets from checkouts, innovations in fresh food, the provision of playhouse and umbrella facilities and more. Many anecdotes of the thinking underlying such innovations are also included such as the Boomerang principle, YCDBSOYA and the wonderful Head-Waiter Syndrome. However, marketing scholars will find little that is very new about the general message the book tries to get across. The virtues of excellent customer service have been put forward by writers, such as Berry and Lovelock since the late 1970s. Instead, the outstanding contribution of the book is its detailed illustration of the process of strategy implementation, in this case, a strategy of service leadership.

To this end, the earlier part of the book focuses on how information is collected from the customer. The importance of marketing information when pursuing a service leadership strategy is nicely illustrated by Quinn's three big secrets of business, listening to customers, listening to customers, and listening to customers. The Superquinn formula is to have a total listening system where everything from the views of a single dissenting voice to the results of formal market research are considered. Experience with the mainstay of the Superquinn marketing information system, the consumer panel, are recalled in Chapter 7.

Chapters 8 to 12 deal with other aspects of the implementation of a service leadership strategy. The very important notion of service recovery is discussed through a seven-step procedure for handling customer complaints. The advantages of an open-systems approach to service delivery, good personal rapport and a happy atmosphere in the workplace are also outlined. Finally, even the short-term, bottom line gains from this type of strategy are discussed in a chapter with the interesting subtitle of "Beating the Accountants."

One of the shortcomings of this book, and indeed of much of the other contributions in this area, is a failure to take a more balanced view of customer service. In extolling its virtues, as some authors do, the reader would be forgiven for viewing customer service as a panacea. While an acceptable level of service is always necessary, service excellence is not the only route to the elusive goal of sustainable competitive advantage. Indeed, in the food retailing business in Ireland, Superquinn's two major competitors have achieved dominant positions by following two entirely different routes.

For academics the key contribution of the book is its illustration of the process of implementing a business strategy. Thus, it details the types of day-to-day decisions and activities of one company pursuing a goal of service leadership. This, the practitioner too, will find interesting. However as Quinn correctly notes in the book, what has worked for his company may not work equally as well, or at all, in another business. However the practitioner cannot but be impressed by the type of obsession to customer service which is necessary to become a service leader.

Superquinn is an outstanding success story and therefore, this book, despite some shortcomings, is extremely welcome. Let's hope it will inspire some other top business people to take up the pen. Contributions from the field play an essential role in enriching an understanding of business.

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